Nation's Business®

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The Top Blue Chip Enterprises Of 1993

Defenses Against Employee Theft

Clinton's Tax Plan: A Small-Business View

The Disabilities Maze

Small firms want to comply with the new law, but vague rules make it difficult.

APRIL 1993

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Buying some low-priced 486 notebooks is like buying a bottom of the line car. You drive off without power steering or air conditioning or even floormats. If you get away with an AM radio, you've pulled off a coup.

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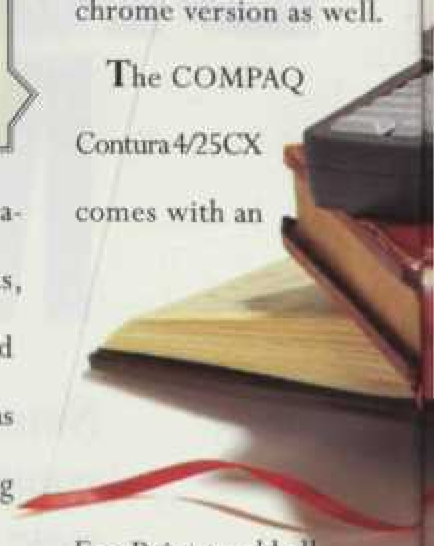

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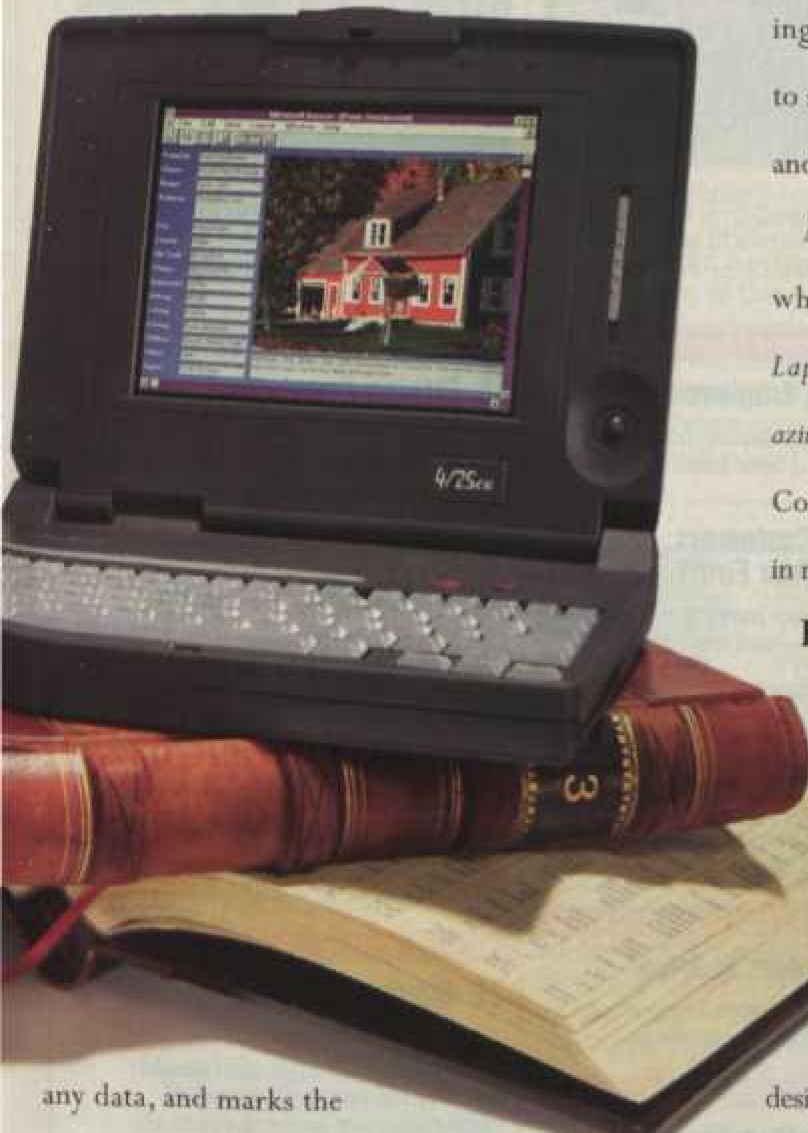

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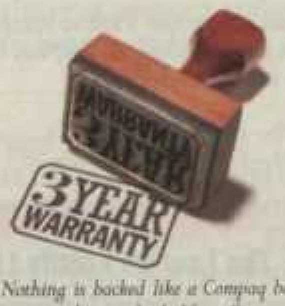

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Nation'sBusiness

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PHOTO: STUART BARTHOLOMEW

The disability law's rules *are so vague in some instances that small-firm owners are confused about how to comply. Newton Becker, who teaches courses to accountants, was the first employer sued under the law's public-access rules. Cover Story, Page 18.*

PHOTO: DOUG LOVEMAN

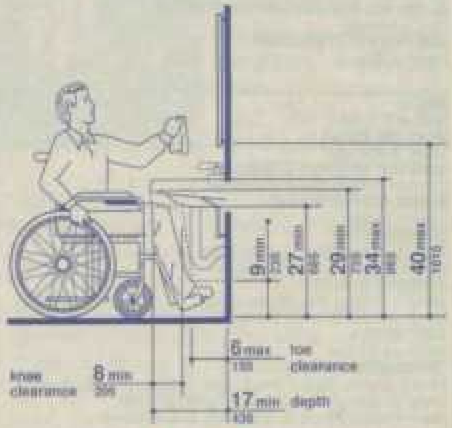
The national Blue Chip *honorees for 1993 include Jim and Stacee Cover of Bozeman, Mont. Enterprise, Page 31.*

VOL. 81, NO. 4

Editor's Note

A Law As Complex As Feared

Three years ago, Congress began considering legislation to make it easier for the disabled to find jobs, shop, travel, and use other facilities available to the general public. We noted at that time that this legislative initiative had a laudable goal but could turn into yet another complex, cumbersome, and even confusing new regulatory apparatus. The law was enacted, and initial experience under it is bearing out our concern.



Lavatory Clearances

This month's cover story alerts you to some of the problems that have developed under the new law so that you can either head them off in your own shop or deal with them more effectively if they do arise there. It's an important article. This is a law that business will be living with well into the next century, and you need to know how it's evolving. The cover story begins on Page 18.

This month's editorial, on Page 83, views some aspects of President Clinton's economic plan, and the Where I Stand questions, on Page 78, invite *your* opinions. The mix of tax and spending changes will affect every small business, and your reactions will help establish a base of grass-roots views on the direction of national economic policy. Make your voice heard. Respond to this survey.

This month's issue also profiles the 1993 national honorees in the Blue Chip Enterprise Initiative. These dramatic accounts spotlight four companies that epitomize the ability of entrepreneurs to prevail against the odds. Their successes are a tribute not only to themselves but to all small-business people who wouldn't give up, no matter how difficult the challenge. Starting on Page 31: real-life drama at its best.

Robert T. Gray
Editor

PHOTO: GLINDA SUE SCOTT

Market research *persuaded Andre and Steve Enos to buy a sports-memorabilia store. Franchising, Page 49.*

DEPARTMENTS

Cover Design: Alberto Pacheco
Cover Photo: T. Michael Keza

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Letters

We Need A National Enterprise Zone

No lesson seems more obvious from "Recasting Enterprise Zones" [Cover Story, February] than this one: If taxes are decreased and regulations are diminished, stimulation of business development and the creation of jobs occur.

The larger questions to be answered are: Of the jobs "created" and listed on your map, how many are simply supplanted from one area to another or one employer to another? If tax revenues to operate government are pegged at a certain level, won't other businesses have to be penalized to make up for revenues lost because of subsidies offered through enterprise zones?

Collecting taxes, screening off a sizable portion of the revenues to cover the costs of the collections, then distributing a portion of what is left (after paying the costs of disbursement) are likely the scenario for federal assistance to enterprise zones.

Perhaps we should simply adhere to the most obvious lesson—minimize taxes and regulations on free enterprise and convert the entire country into one large enterprise zone.

Lon Zimmerman
President
Midwest Fly Ash and Materials, Inc.
Sioux City, Iowa

[Editor's Note: The article noted that the question of whether employment in enterprise zones would have occurred without incentives will be part of the national debate on this issue. As for taxes, subsidies for enterprise zones are usually given on the assumption that such costs will be retrieved through the economic growth that they stimulate.]

For Jobs, Safety First

Your article reports that the Ohio investment in enterprise zones is $13.2 billion, with 124,500 jobs created. Yet the city of Cleveland has made it perfectly clear to its citizens that it simply cannot afford to provide us with enough police to assure our security.

It has been suggested that our business hire a security guard at our own expense. It seems to go unnoticed that the lack of security carries over to our employees on their way to and from work as well as to the people who live near our business.

Our manufacturing business has been in this location for 40 years. We have 150 people working here. At the same time, we have a factory of approximately the same size in a nearby suburb, where the lack of urban problems is blatantly obvious.

In the city, we are afraid to work late because we are afraid to drive home when it is not rush hour.

At least twice a month, someone breaks into our fenced-in parking lot and steals a car radio. Kids throw rocks over our fence in the summer, breaking our car windows.

Last month our company van was stolen from inside our building.

These problems increase the cost of doing business in the city. The fact that we will not expand here has nothing to do with financing and abatements available from an enterprise-zone program.

You cannot pay us enough to compensate for the life-threatening danger here—not when suburban locations a few miles away are offering meaty tax abatements for us to leave the city.

The government could make this an attractive area for business expansion by providing the security we need for our business, our employees, and the people who live here.

And only when personal safety is assured and the senseless crime and vandalism are eliminated will the jobs, the people, and the prosperity come back to the city.

Ann Williams
Chief Financial Officer
Avtron Manufacturing, Inc.
Cleveland

It May Be Time For Trade Barriers

Regarding "A Surge In Trade With Latin America" [February]: As the largest international trader in the world, the United States is committed to free trade. Where there have been unfair trade practices, the U.S. has encouraged its trading partners to reduce their trade barriers rather than erecting barriers of its own.

This approach has been pursued by successive administrations but has failed

to have any lasting impact. Many countries have established unfair tariffs, taxes, duties, and quotas on American products. If the U.S. were to retaliate in kind, very few products would be imported into this country.

It may now be time for the U.S. to change its methods, to stake out a new strategy by exerting considerable pressure on those countries that create artificial trade barriers.

The trade deficit is one of America's gravest problems and, unless corrected, will surely contribute to our nation's downfall.

Timothy J. French
Bethesda, Md.

Prime Cut

The last time I checked, Canada had a prime minister, not a president, as your article titled him.

Robert J. Plant
Toronto

First Plan, Then Act

The ideas in your February article "How To Write A Business Plan" were on the mark except for one glaring omission: Evidence that the business plan will be implemented.

The vast majority of business plans that are developed to get financing fall by the wayside even when the company obtains the financing. Frequently, projected performance falters, and payback commitments suffer.

The most credible business plans cover objectives as well as projections, carefully developed strategy, major actions for implementing the strategy, and monthly as well as year-to-date performance targets. Unless the numbers correlate with who will do what when, there is a reality disparity.

Raymond O. Loen
Management Consultant
R.O. Loen Co.
Lake Oswego, Ore.

Computer Clarification

The suggested retail price for the RISO RC6300 interface system, described in "Offices Go Digital And Portable" [February 1993], is $5,495.

You Are What You Eat

Regarding "Quality Management Targets Health Care" [February 1993]: Some emphasis must be put on the root of the costs of "sick" care costs—unhealthy lifestyles. When people are in good health, they don't seek out medical treatment, and the costs will go down.

PHOTO: ©MATTHEW MCVAY—FOLIO, INC.

A wholesome diet *with fruits and vegetables together with regular exercise can help to keep health-care costs down.*

Shouldn't some emphasis be put on the root of the problem?

Children and adults must be educated that fresh vegetables and fruits, legumes, whole grain breads, pasta and cereals, six to eight glasses of water daily, and exercise make the body healthy and prevent disease.

Too simple? Not really.

Our company, which makes breads, rolls, cookies, and muffins, furnishes highly nutritional, delicious food for our 150 employees. We also give out wellness bonuses that encourage employees to take care of themselves. We pay for half the fee for anyone to participate in any form of physical fitness.

Absenteeism is almost nonexistent. In addition, we are getting a rebate on our workers' compensation, and we are holding the line on the hospitalization insurance.

Teaching good health habits is the answer to halting the sick-care monster, which is passed off as health care.

Barbara Stitt, Vice President
Natural Ovens of Manitowoc
Manitowoc, Wis.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Entrepreneur's Notebook

By Joseph Phillips

If At First You Do Succeed . . .

Entrepreneurs aren't limited to only one winning idea in a lifetime, but many choose not to pursue new opportunities so they can stay focused on their primary business. But it's possible to do both—run a time-intensive business and pursue a secondary one—and do them well.

PHOTO: GLAMMY FLEMING

Optometrist and entrepreneur *Joseph Phillips: Focused on a shrimp peeler.*

I got out of school and into optometry in 1959, and I've been in and out of practice several times since. I am now in practice in my hometown of Wichita, Kan.

But my first love has always been manufacturing. It's what made me leave optometry in the early 1960s to start Minutemen Nylon Products—which made an unbreakable spectacle frame out of nylon—and later to design a mirror that allowed persons who wear prescription lenses to see themselves without wearing their glasses.

I always went back to optometry, though. But since I don't sell glasses, I can direct my available time to pursuing other businesses.

In 1984, I went to Florida for my brother John's 50th birthday party. As we were preparing for the party, John—who is a commercial airline pilot—pulled out 15 pounds of shrimp and told me it was time to start peeling. "Thanks, but no thanks," I told him. I didn't go all the way from Wichita to Miami to clean and de-vein about 900 shrimp.

But John got out a couple of peelers he had carved from paintbrush handles back in the 1950s and told me to use one. In 30 minutes, we had finished that 15 pounds, and I said, "Brother, we have to make this thing and sell it."

We each put up a few thousand dollars and made a two-cavity mold that turned out two white plastic peelers at a time. The device has a narrow point at one end that extends to a hooked handle about a half-inch wide. You push the pointed edge into and through the shrimp, and it splits and de-veins the shrimp.

Phillips Shrimp Peeler Inc. was not an instant success. Shrimp peelers aren't shoelaces—not everybody needs them—and our marketing effort didn't produce much.

In 1988, we redesigned the product so that the customer's name could be printed on the base. We also built a new six-cavity mold so we could produce six peelers at a time for less money. The suggested retail price is $1.49 each.

Marketing was reduced to a few trade shows a year. The shows are vacations for John and me. We sit around, drink some beer, talk with nice people, spend some money, and have fun. And we sell shrimp peelers like they are going out of style.

We signed up some big customers, like Golden Dipt Co., of St. Louis, which bought more than 500,000 peelers in more than two years, and Fresh Catch Express, of Ypsilanti, Mich. Both put their logos on the peelers and gave them away to their customers as a premium.

In 1990 and 1991, the company grossed more than $100,000. Our best profit was about $25,000 in 1991—after we splurged on our trade-show vacations.

Sales and earnings were down last year, by 50 percent, but neither John nor I worried because we don't live off the company. But I'll be honest: If the company had shot right up to the rate of making a few million peelers a year, I'd be out of the optometry business by now.

John and I expect to retire in about a year and a half. The manufacturing equipment will be paid for, and we'll push unit sales well into the millions. For now, we don't want the company to make too much money because our primary jobs still produce good, taxable income.

There are a lot of people walking down the street with million-dollar ideas. Very few will see if those ideas work. Just because you are doing one thing doesn't mean you can't explore doing another; having the first business can make the second a lot easier. The pressure is off, while experience is working for you.

For me, retirement from optometry won't mean settling into Phillips Shrimp Peeler full time. Instead, I'll put some of my energies into Phillips Reaction Evaluation Pre-Centers, a service to measure people's reflexes for driving.

You're probably wondering what that has to do with shrimp peelers and optometry. The answer, of course, is nothing, except to an entrepreneur who believes that super ideas make good opportunities for new business. NB

Joseph Phillips runs a private optometry practice and is vice president of Phillips Shrimp Peeler Inc. and president of Phillips Reaction Evaluation Pre-Centers, both of Wichita, Kan. He prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

A casual attitude can really make a sideline business go. A lot of entrepreneurs sell scared, putting the buyer on edge. With a secondary business, it's easier to take a devil-may-care, explain-and-demonstrate approach that can produce less pressure and more sales.

Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

ECONOMIC POLICY

Senate Rejects Effort To Provide Line-Item Veto

By a 52-45 vote, the Senate recently rejected a proposal by Sen. John McCain, R-Ariz., to empower the president to veto line items in appropriations bills passed by Congress. Ironically, the vote occurred the day the Senate Budget Committee began drafting a five-year budget blueprint to cut spending by billions more than the president's budget proposal.

A coalition of business owners is organizing in support of future efforts planned by McCain and Rep. John J. Duncan Jr., R-Tenn., to attach line-item veto language to bills on the Senate and House floors. The coalition is operating under the auspices of the U.S. Chamber of Commerce, which says the veto would help curb "excessive and wasteful government spending, provide for better prioritization of scarce resources, and encourage deficit reduction without tax increases." To join the coalition or to obtain more information, call Julie Noufer, (202) 463-5620.

PHOTO: ©TERRY ASHE—FOLIO, INC.

Sen. John McCain: *Favors veto authority.*

FINANCE

The Incredible Shrinking Dollar

There's a quick-reference guide available if your business calculations take the decline in the value of the dollar into account. It's a gauge of inflation's impact over the past generation.

The guide was developed by Martin Lefkowitz, a U.S. Chamber of Commerce economist, who puts out an updated version every year.

The key element is the value of the dollar for a given year relative to the 1993 dollar. Applying that value to a dollar amount related to that year shows the amount of dollars needed this year to achieve the same purchasing power.

You would need nearly $5 today to match the purchasing power of $1 in 1960.

What income do you need in 1993 to equal the purchasing power of your $20,000 salary in 1970? The 1970 multiplier, 3.75, times $20,000 equals $75,000.

If your annual sales go from $500,000 in 1975 to $1,250,000 this year, you'll be losing out to inflation.

Applying the 1975 multiplier to that year's sales shows that you will need $1,355,000 just to stay even, much less show a real increase.

At right is the table that you can use to measure dollar values between this and previous years.

—*Robert T. Gray*

1960	$4.92
1961	4.87
1962	4.82
1963	4.76
1964	4.69
1965	4.62
1966	4.49
1967	4.36
1968	4.18
1969	3.97
1970	3.75
1971	3.59
1972	3.48
1973	3.28
1974	2.95
1975	2.71
1976	2.56
1977	2.40
1978	2.23
1979	2.00
1980	1.77
1981	1.60
1982	1.51
1983	1.46
1984	1.40
1985	1.35
1986	1.33
1987	1.28
1988	1.23
1989	1.17
1990	1.11
1991	1.07
1992	1.03
1993	1.00

INTERNATIONAL TRADE

Free-Trade Agreement Earns Praise For Job Creation

If the United States, Mexico, and Canada approve the North American Free Trade Agreement (NAFTA), the U.S. economy will gain a net of 171,000 jobs during the period 1990-95, according to a new analysis of the pact.

American exporters will create about 316,000 jobs while other U.S. firms will eliminate about 145,000 others, predict the study's authors, economists Gary Hufbauer and Jeffrey J. Schott of the Institute for International Economics, a public-policy research organization in Washington, D.C. They suggested that Congress earmark about $300 million of U.S. tariff revenues for retraining of workers dislocated by the agreement.

Hufbauer and Schott concluded that the price of rejecting NAFTA would be high in terms of U.S. jobs. Killing the agreement would likely cause capital to leave Mexico, they theorize, which would slow the country's economic growth significantly and dampen its demand for imports from the United States.

The 164-page study provides sector-by-sector summaries of key provisions. Copies of the analysis are available for $21.95 from the Institute for International Economics at (202) 328-9000.

POSTAL COSTS

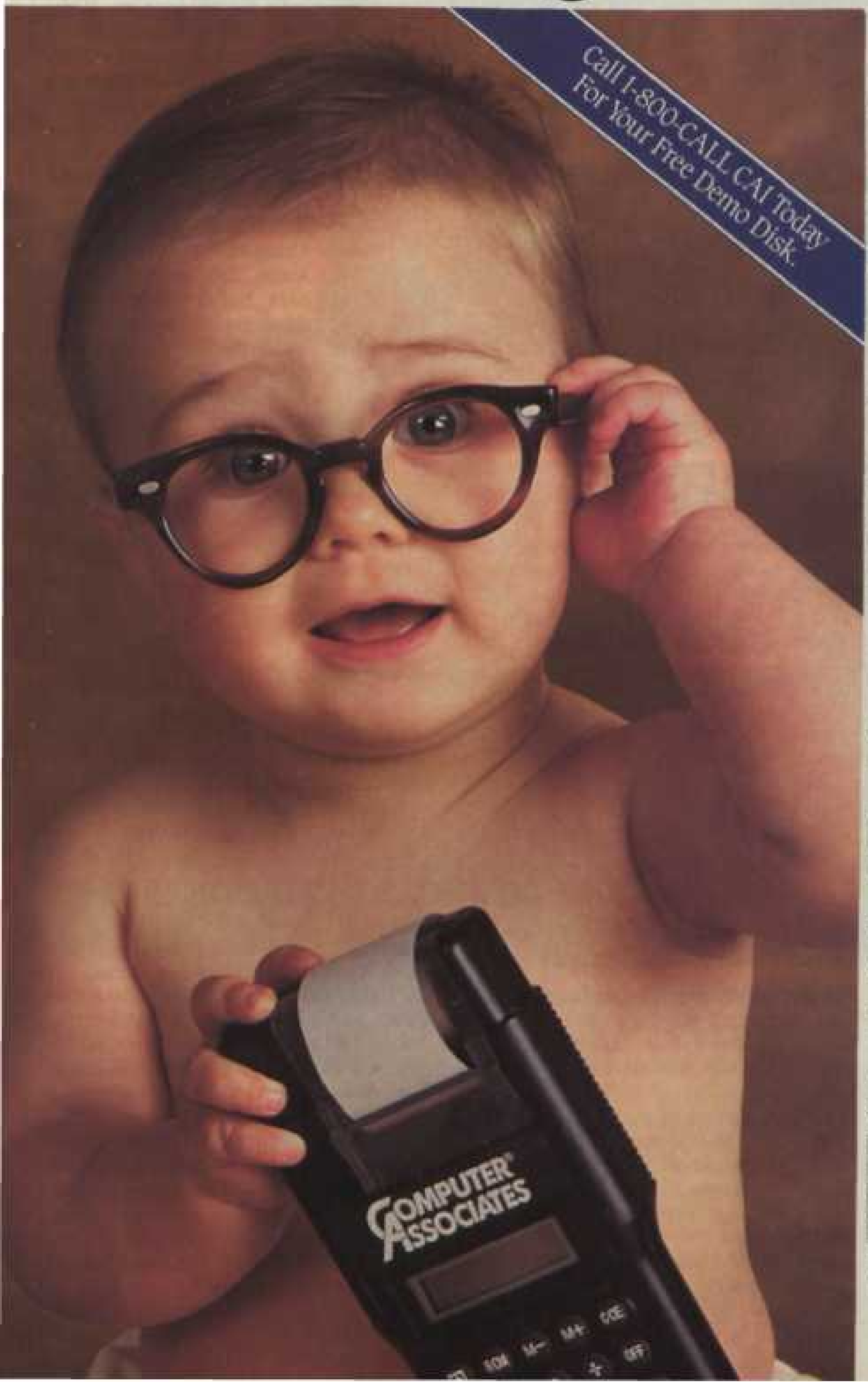
Change Your Bar Codes—Or Lose Your Postage Discounts

Beginning in late March, business people must place bar codes with 11-digit ZIP codes on their mail to qualify for postage discounts. Previously, nine-digit codes were sufficient to gain per-piece savings of up to 1.5 cents for first-class mail and up to 1.9 cents for third-class mail. The Postal Service will apply the extended bar codes to mail that lacks them.

The additional two digits will allow new machines at post offices to sort mail down to the delivery points on letter carriers' routes. Delivery-point bar coding is designed to speed mail delivery and increase accuracy.

If you contract with another firm to prepare your mail, make sure the firm is in compliance. If you bar-code mail yourself, call your Postal Service customer representative for help in implementing the new requirement.

Some People Are Born Accountants. For The Rest Of Us, There's New ACCPAC Simply Accounting For Windows.



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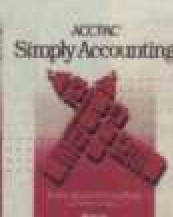

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SALES

Keep Cash Flowing During Down Times

For many small firms, customer traffic is all or nothing: When they're busy, they're mobbed, but the off-peak stretch is lonesome. However, some business owners are finding ways to bring in money—good money—in what had been their "down" times.

Kidsports International Inc., based in Sinking Spring, Pa., started out serving only children at its fun-and-fitness centers based in shopping malls. But sales would shrink during the school weeks, says Greg Hart, the head of sales, so Kidsports had to extend its core business to attract new earnings.

Aerobics classes for adults, *led by fitness director Terry Aicken, second from right, funnel revenue to Kidsports when children are in school.*

Continuing its focus on children, Kidsports began holding weekend sleep-overs for Scout groups, throwing birthday parties, and providing baby-sitting at corporate picnics. These activities also enabled the company to conduct some "soft-sell" marketing to parents unfamiliar with Kidsports.

Even more profitable than these extra services, however, has been Kidsports' new programs for senior citizens. Terry Aicken, a fitness director at Kidsports, thought of adding small aerobics classes for older adults, and the concept has "taken off," adding 25 percent to the firm's net profits.

In New York City, Richard Laurie and Bruce Broekhuizen, owners of Carapan, a massage-therapy studio, have increased daytime business by 65 percent in five months since they started offering shorter lunchtime sessions at reduced rates. Each evening, Carapan was turning away about 200 people, Laurie says, but the daytime was dead. So besides a $65 full-body rub that lasts an hour, Carapan now offers a 20-minute "stress-buster" for $22, or a 35-minute, $30 Japanese *shiatsu* massage.

Leaflets hawking the special rates are going out to 3,000 "wound-up" Manhattan executives. The key, says Laurie, is that the price of a massage now competes with the cost of lunch. "People are bringing in clients [to Carapan] instead of overfeeding them."

—Bradford McKee

INNOVATION

The Trend Toward Farming Out New-Product Development

Following the lead of some bigger companies, small firms are increasingly creating new products by calling on outside designers and engineers, says Pamela Gordon, president of Technology Forecasters Inc., a research firm in Berkeley, Calif. Once a company conceives its idea for a new product, Gordon says, most product-development firms can handle any part or all of the process, from thumbnail drawings to pilot manufacturing.

"All of the requirements to pull off a complete product may be beyond small companies especially," says Richard J. Lee, vice president of IPT Corp., a product-development firm in Palo Alto, Calif.

IPT, for example, has developed several medical devices, such as diagnostic equipment and patient monitors, for manufacturers. The experimental work is less risky and less costly for IPT than it would be for the client because IPT spreads out hardware costs over numerous innovative projects.

For small companies that decide to hire a contract product-development firm, Lee offers these suggestions:

- Make sure the contractor has done projects like yours.
- See that the firm has been around for five or more years.
- Ask the contractor to set priorities to keep your project on schedule.
- Ensure that the firm can complete necessary product testing.
- Be sure the contractor knows federal safety laws and testing procedures.

—Bradford McKee

MARKET RESEARCH

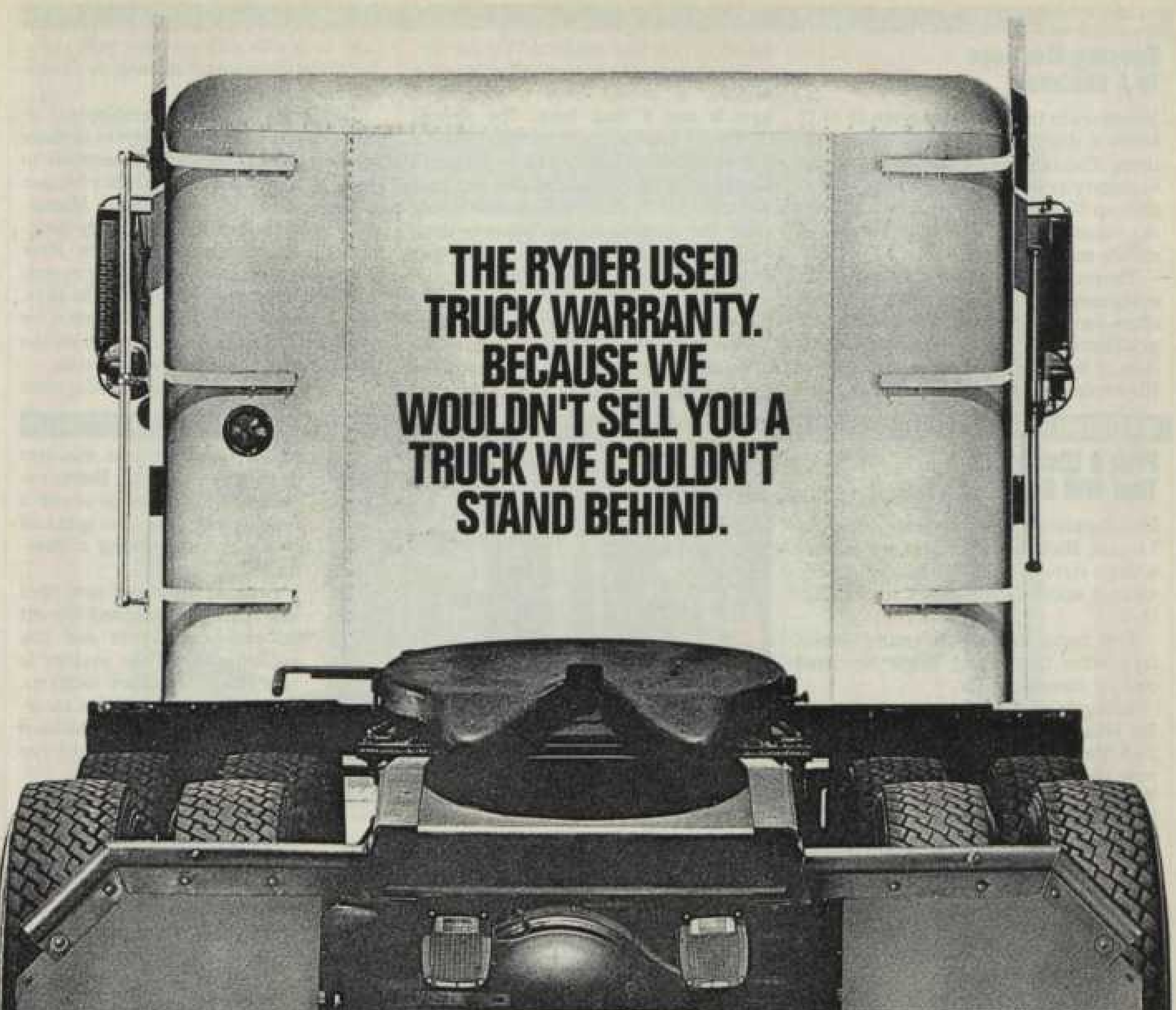
Know Your Clientele Before You Make Changes

If you're thinking of expanding or changing your firm's operations, take the advice of Nilgul and James Taylor: Make sure you ask your customers *before* making any changes.

After 14 years of running a franchised steakhouse in Brevard, N.C., the Taylors thought they knew their customers. But last September, when they gave up the franchise, expanded the menu, and began selling wine by the glass, they were completely unprepared for the result. The strongly religious community in the town boycotted their restaurant, they say. Within three months, receipts on a typical weeknight had plunged from $1,500 to $400. By December, they had to close.

"I was 400 percent sure that it was going to be better than it was before," Nilgul Taylor told *Nation's Business*. She says she was modeling the operation after her father's successful restaurant in Asheville, N.C., 35 miles away. "I had very strong customer relations; I knew the people, what they ordered, and who their relatives are. Then, every day people quit coming, and we were asking everyone why. Customers said we had excellent food. Finally, someone told us it was because of the wine."

—Roberta Maynard



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MANAGING

Keeping Meetings To A Minimum

Managers in the U.S. often work 10 to 12 hours a day and take work home with them. The reason? Meetings—often unnecessary or unproductive, or both—that take up 35 percent to 60 percent of their day, according to a recent survey of middle managers.

The problem is that instead of strengthening corporate communication, meetings often become forums for individual ego gratification, says Richard Miners, president of New York City-based Goodrich & Sherwood Co., the human-resources management firm that conducted the survey.

For a meeting to be most effective, says Miners, it should have a structured agenda and a time limit. The agenda should be sent to participants at least a day in advance so they will be prepared for the meeting and understand what they are expected to achieve. Someone should chair the meeting so participants don't lapse into casual conversation and veer away from the business at hand.

Another tip: Try not to make the meeting environment too comfortable. When participants settle in with coffee and pastries, says Miners, it often slows the process and wastes time. One company he works with ensures quick, productive gatherings by meeting in a room with no table or chairs.

Companies with 150 employees or more—those with several layers of management—are particularly susceptible to meeting overload, but it can easily happen to smaller firms too, says Miners. Managers who think they have too many meetings to attend should measure their on-the-job time spent in meeting rooms. It should not exceed 20 percent, he says, unless there is a major disruption or transition in the workplace, such as the installation of a new computer system.

—Roberta Maynard

INVENTORY

Pick A Distributor That Will Grow With You

Pet Supplies Plus, a retailer based in Livonia, Mich., wouldn't have grown from a single store in 1988 to 35 locations today without unusually close ties to distributors.

This factor was key to cutting inventory, often the largest single overhead cost for merchants.

Recognizing that times have changed for retailers, the company's president, Jack Berry, built into his business planning the concepts of a multistore chain. When he was planning his first store, he began negotiating only with "top-notch" distributors equipped to receive orders with less lead time by fax or computer transmission rather than by mail. He decided to use only those who would agree to make more frequent deliveries and, crucially, bring a greater variety of products in smaller quantities.

The strategy allows Pet Supplies Plus to carry, for instance, 150 kinds of dog food, hundreds of different pet collars, and dozens of types of bird seed.

PHOTO: GJUNEBUG CLARK

Owner *Jack Berry's Pet Supplies Plus stores rely on small but frequent deliveries by distributors.*

"With the quantities we've established for the store, we can maintain exactly the inventory level we need without having to stockpile or get into our own distribution center," Berry explains. "This allows us to run a retail store rather than split half of our energy running a warehouse."

Because its stores now need less space, the company has cut its real-estate costs and has applied some of the savings to rent space in costlier locations. Expenditures for utilities, insurance, and taxes have declined also as total space rented has gone down.

The extra cash allows more leeway to bargain with the best distributors, who "had to grow with us," Berry says. But Pet Supplies Plus has to make it worth their while.

"Build your rapport with distributors," Berry advises, "so that what's good for you is good for them, to ensure that both are in a profitable position."

—Bradford McKee

COMMUNICATION

Get The Point Across With Clearer Writing

How clearly a business plan or proposal is communicated often determines whether it is rejected or embraced. Wordiness, stuffy language, and poor organization of thoughts can bury even the best ideas.

"In business writing, having the right message isn't enough," says Albert Joseph, president of the International Writing Institute, Inc., in Cleveland. "If it's badly presented, it's like not having a message at all."

Joseph offers these tips for clearer and more effective business writing:

- Begin the letter or proposal with your conclusion, then spend the rest of the time supporting it. That will guarantee that the reader gets the important part of the message first, followed by less important details.
- Use clear, familiar words. Never use a large word when a small one says exactly the same thing. The long words you will need will probably be scientific or technical terms.
- Keep sentences short and simple. Try to average between 15 and 20 words for most sentences, but mix them with sentences as short as two or three words and as long as 30 or 35.
- Use connective words and phrases. Link sentences by beginning them with "and," "but," "as a result," and "even so." These become bridges between ideas that help the flow of the letter.
- Don't be afraid to use personal references. The most important word in a business letter is "you." Don't hesitate to use "I" when appropriate.

The International Writing Institute offers a one-day, video-based workshop for companies to teach the course on-site to their employees. The cost is $1,675 and includes 20 manuals. A less expensive option is the self-study course, also video-based, starting at $700. For more information, call 1-800-CLARITY.

—Roberta Maynard

WORKPLACE

National Fitness Day Scheduled For May

The National Association of Governor's Councils on Physical Fitness and Sports has set May 19 for this year's observance of National Employee Health and Fitness Day.

Last year, 3,400 companies throughout the United States used the event to encourage their employees to stay healthy.

The organization recommends ways for businesses to initiate fitness programs in the workplace. Examples include fitness tracks outside company buildings, aerobics instructions for employees during their lunch breaks or after work, and healthful-cooking contests among employees.

For additional suggestions or information, call the National Association of Governor's Councils on Physical Fitness and Sports, in Indianapolis, at (317) 237-5630. NB

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Making It

Growing businesses share their experiences in creating and marketing new products and services.

PHOTO: EDON STEVENSON

From clones *to networks: Artisoft's Chairman Jack Schoof stuck it out.*

Making The Connection

By Ripley Hotch

When C. John "Jack" Schoof II had been in business about a year, he had spent $40,000 of his start-up money on a product that was about to be outdated, and he was down to $1,800. It was time to throw in the towel.

Instead, Schoof turned to his principal investor and adviser, C. John Schoof I: "I called my dad and said, 'I'm about to go belly up here. I don't know whether to get more money or quit,' and basically he said, 'Well, you probably ought to stick it out,' and I said I would."

But, as he quickly notes, "with 1,800 bucks, you can't do much."

In 1992, eight years later, Jack Schoof (rhymes with loaf) took Artisoft Inc. public. Annual sales had topped $70 million. Sales for the first quarter of fiscal 1993 were up 40 percent over the same period in fiscal 1992.

Now he sits in a trade-show booth, in brown suit, mustard shirt, and orange and brown bold-patterned tie. ("When I come to a trade show, people say, 'What, did somebody die or something,' because I don't get into a suit if I don't have to.") Given his taste in clothes, it may not be surprising that the name of his company is a compression of "artists in software," or that Jack Schoof created the name himself.

Artisoft, based in Tucson, Ariz., is best known for a product called LANtastic, which connects personal computers into networks that allow them to share files and expensive peripherals like laser printers. Networking has become the major movement for offices in the '90s. Small businesses are often well served by what is called a "peer-to-peer" network. Unlike expensive networks that require a dedicated machine, called a file server, as well as an administrator, peer-to-peer networks can operate satisfactorily without either.

Schoof estimates that he has more than 50 percent of the market for this kind of local area network, and the starting price, for networking two machines, is around $600. Because the network uses very little memory, or RAM, Schoof created a mascot—a horned cartoon character—that is also Artisoft's 800 number: TINY RAM.

Schoof, 34, understands small businesses' need for practical, cost-effective solutions to office automation. He started writing programs when he was 14, then he studied engineering at the University of Arizona so that he could understand the hardware that went with the software. After a brief stint working on the Phoenix missile, Schoof decided that a large company was no place for a designer, so he started a consulting company.

Schoof's early customers were "cattle breeders and such, who had absolutely no concept of how computers worked," so he created a simple menu system for handling operations—a fairly new idea at the time. That led him to a product he called Spydernet, which would enable computers to link up and share software. Unfortunately, it cost so much to educate the potential customer that he could not get off the ground before he ran out of money.

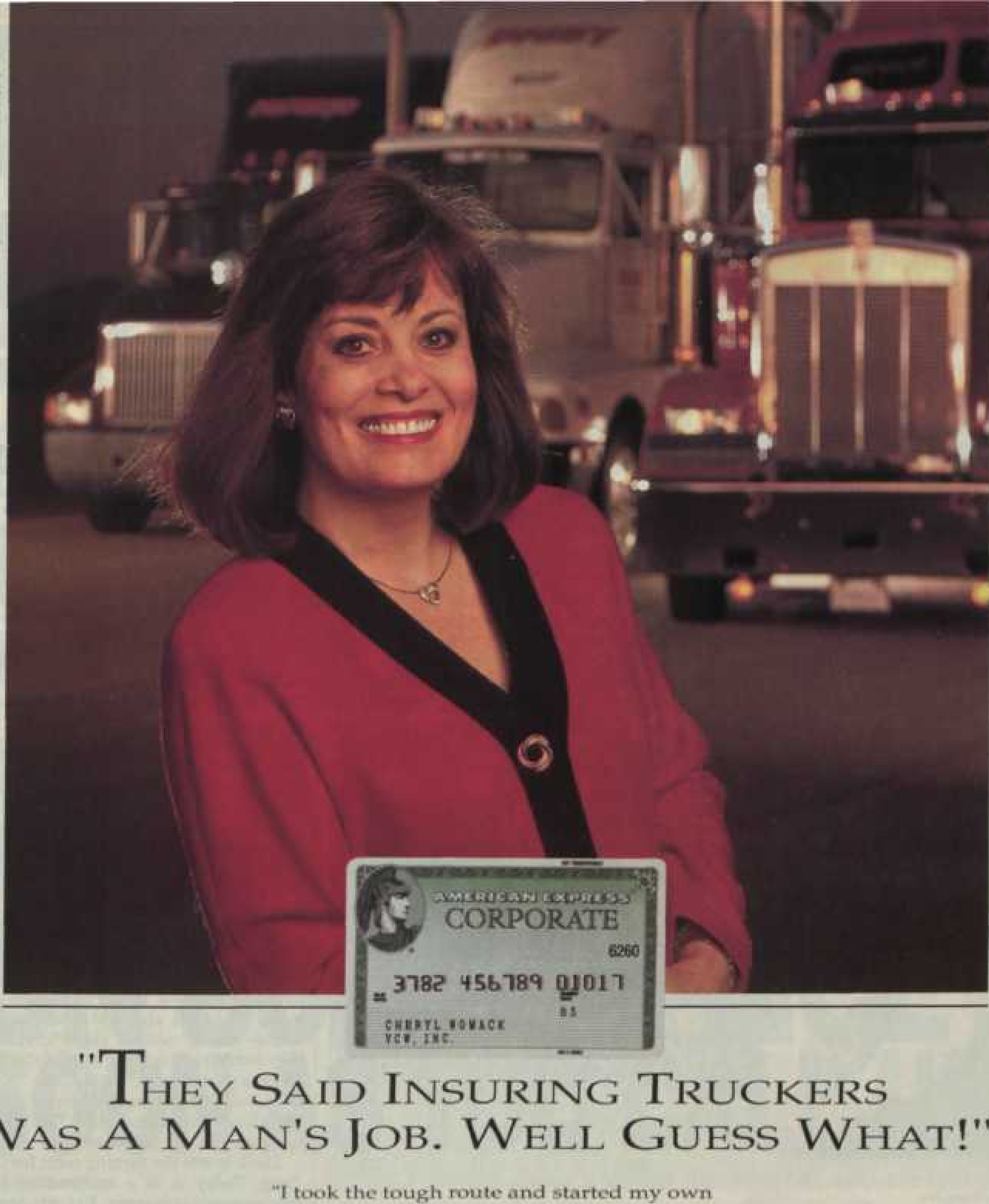
With only $1,800 left, he built an IBM clone—one of the first. Friends thought it was "pretty neat," he says, so he built another, and another, until he was building 100 to 150 PCs a month, "just pumping machines like crazy. The first year I went basically from $1,800 in the bank to almost a million bucks, with only a couple of part-time people."

At that point, Schoof could probably have become a major player in the burgeoning clone market, but that wasn't his interest. "I wanted to be a designer of world-class products, not a clone maker," he says. "But thank God for the clones, because that business gave me the money to grow and hire more people."

By 1987, Schoof's company was growing fast enough to require a network to track sales orders and what he calls "the usual small-business stuff." But he didn't think he could afford a relatively expensive Novell network. That's when he created LANtastic.

Because Schoof is expert in both hardware and software, he created a network that included both—cables, network cards, and floppy discs—right out of the box. He also did his best to make it easy to install and administer.

He is aware that the small-business



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market is, and will continue to be, slow to move to the high-powered machines it takes to run the new operating systems like Windows and OS/2. LANtastic has a Windows version, but, Schoof says, "what about the tens of millions of [older, slower PCs] out there? Are people going to throw away $2,000 worth of hardware for a $79 software package? No way. So all the new products we have respect that, and they all intertwine."

In fact, Schoof's new products will continue to combine his software/hardware approach. One is Sounding Board, which hooks a telephone handset to a computer so that you can add voice messages to computer files and transfer those around the network. LANtastic now can connect Macintosh computers and IBM-compatible PCs—machines that once could not communicate with one another at all—in a single network. The newest version of LANtastic, to be released in mid-March, provides connections among even more diverse systems.

Schoof's vision is direct communication among users about a document that is on several screens at once, so that users can make changes as if they were all sitting around the same piece of paper.

Whatever he does, Schoof approaches it as a designer. "I'm building a machine called Artisoft, and all the pieces have to fit and do their part," he says. "If you design it right, it works. My management style is designing the company more than managing the people."

But as with the names he designs, and the suits he occasionally forces himself to wear, Schoof is never solemn: "I never want to become a stodgy company that takes itself too seriously." ■

A Gooey Inspiration

By John M. Mora

Sometimes the most frustrating predicaments spawn the most innovative ideas. For James Clem, the predicament was a gooey mess of clay, ground soil, and rainwater.

Clem had just completed college and had a summer job at a construction firm; he spent most of his working hours installing liners for decorative ponds. The lining material was bentonite, a natural clay that expands and becomes impermeable when moistened. A thunderstorm moved in suddenly. As he stood knee-deep in the muck, watching globs of clay expand prematurely, he wondered if there wasn't a better way.

"I remember thinking, this is the worst possible thing that can happen," says Clem, now 35, of that day in 1980. But in hindsight, it turned out to be the best possible thing. Within a few days, Clem had conceived of a bentonite liner that could be made at a plant and rolled out at a construction site like a carpet, thus saving labor and virtually eliminating weather risks during installation.

Clem began to experiment with combinations of fabric, adhesives, and clay. In the kitchen of his Chicago apartment, using a conventional blender and oven, he came up with the bentonite liner he was seeking. With this new design, the benefits of using bentonite for a liner became obvious. Unlike other clays, which rely on sheer bulk to prevent leakage, bentonite requires a much thinner layer while providing much better results. A quarter-inch bentonite mat is equivalent to the standard 3-foot layer of clay.

In 1982, Clem signed a five-year contract that gave a large chemical company rights to market the bentonite mat as a pond liner. Sales were disappointing, however, partly because the most popular pond liner was a thin, inexpensive sheet of plastic able to hold small amounts of water; the bentonite mat was essentially a high-quality product in the wrong market.

PHOTO: T. MICHAEL KEZA

Thin-skinned breakthrough: *James Clem used bentonite to make a pond liner—dubbed Claymax—that's less bulky than other liners and is useful in landfills.*

When the contract expired in 1987, Clem and his new vice president of marketing, Sherri Sorenson, took on the challenge of marketing the bentonite mat. Within a year, James Clem Corp. was on the brink of bankruptcy.

It was then that Sorenson took advantage of the U.S. Commerce Department's "Matchmakers" program, which introduces small and medium-sized U.S. companies to overseas markets. Guided by a trade specialist in Commerce's Chicago office, Sorenson targeted an Italian company for a sales call. With his firm's last $4,000, Sorenson flew to Italy to sell the bentonite mat—now dubbed Claymax—in a new way.

Tests had shown the bentonite mat to be highly effective in containing waste materials. Instead of marketing the mat as a pond liner, Sorenson saw a need for environmentally sound clay liners for landfills. Italy—a country plagued with waste problems and a shortage of bentonite—sorely needed clay. "Previously, they would have to bring tons of clay from Germany or France," says Clem. "Every truckload of Claymax is equal to 400 truckloads of natural clay. The Italians were very happy to see us."

The trip was the turning point for Clem Corp. Today it is a multimillion-dollar environmental company. Exports account for 30 percent of its revenues, and Claymax is marketed all over the world. Waste containment makes up 75 percent of the business, and with stricter environmental regulations looming on the domestic front, Clem sees his market widening.

As Clem looks back now on that wet and stormy day in 1980, after years of reverses followed by sudden and ever-increasing success, he says: "Setbacks and unexpected obstacles don't worry me any more. My experience has been that the right things will happen once you go through so many wrong things. I've learned to relax, have fun with the challenges, and be persistent." NB

John M. Mora is a free-lance writer in Summit, Ill.

COVER STORY

The Disabilities Labyrinth

By Bradford McKee

"They won't take yes for an answer," small-business owner Newton D. Becker says of officials at the U.S. Department of Justice. He's referring to a suit that Justice filed against him despite his agreement to comply with an ultimatum it had issued under the Americans with Disabilities Act.

The department had told him last Dec. 8 it would sue his company if he did not hire sign-language interpreters for deaf students in his professional-certification courses, he says, and his deadline was Dec. 24. He complied that day, he says, but the department went ahead with its suit on Dec. 28.

The legal action gives Becker a status that he'd rather forgo—the first company to be sued under the law's public-access rules, which took effect in January 1992.

Becker's case points up the concerns that many business people raised when Congress passed the statute. Although they approved of its goals, they were apprehensive about how its many vague provisions could be implemented fairly.

The problems faced by Becker's firm—Becker CPA Review Course, Ltd., in Encino, Calif.—are reasons why many small-business people feel that their initial apprehensions about the law were justified. His company helps accountants prepare for their qualifying examinations. The Justice Department suit contends that the firm discriminated against hearing-impaired students when it did not provide sign-language interpreters.

Becker says that long before enactment of the disabilities law, the company recognized the needs of its hearing-impaired students by providing them with printed materials so they could follow lectures.

The law says companies offering professional-certification courses must accommodate students with sensory impairments, and it lists written notes among acceptable aids.

Obern Raney, a Justice Department spokeswoman, said that because the case is in litigation, she would not comment on why the agency doesn't accept the written material in Becker's case.

PHOTO: [illegible] BARTHOLOMEW

The uncertainties over Becker's responsibilities indicate why many small-business owners say they still don't know how to comply with the law's complex and massive battery of rules.

Passage of the Americans with Disabilities Act in 1990 amounted to a victory for disability-rights advocates in their long battle for tough legislation to make jobs and public places far more accessible to people with disabilities.

The law has two main subdivisions for private firms—employment and public accommodations. It requires employers and companies serving the public to make necessary adjustments to accommodate people with disabilities.

The law protects people who have—or have a record of—physical or mental impairments that restrict routine living activities. It also protects people regarded as having a disability, as well as people

Small firms want to comply with the new federal anti-bias law, but vague rules make it tough.

The accounting-course *firm owned by Newton Becker, standing, was sued under the disabilities law.*

associated with a disabled person, such as care givers.

The public-access provisions took effect Jan. 26, 1992. By now, all public facilities—restaurants, theaters, stores, and the like—must have made "readily achievable" changes in facilities to afford access to people with disabilities, as long as the adjustments would not cause "undue burden" for the business or "fundamentally alter" the nature of the firm's product or service.

Employment protections for the disabled took effect last July 26 in companies with 25 or more employees. The compliance threshold will drop to 15 or more employees on July 26, 1994. Companies with fewer than 15 employees will remain exempt from employment rules of the law as it now stands.

The disabilities law says employers must make "reasonable accommodations" for job applicants or employees with disabilities as long as the candidate is able to perform the "essential functions" of the job and the accommodation causes no "undue hardship" to the company.

Smaller firms consider the law "very laudable," says Chicago lawyer Lawrence R. Levin, "but they don't understand it." Levin conducts disabilities-law compliance seminars for businesses, and he says there's a knowledge gap because the law is "such a major departure from the way business was being done."

As late as last September, two months after the bulk of the law was in force, 40 percent of small-business owners responding to a nationwide survey said they were unaware of the disabilities act. An additional 30 percent said they knew about the law but could not afford the structural adaptations it requires. The survey was commissioned by the Kessler Exchange, a small-business research group in Northridge, Calif. Other national studies reflect similar awareness levels and attitudes.

"My impression is that the level of general knowledge about [the disabilities law] remains quite low," says Carolyn L. Weaver, an economist and resident scholar at the American Enterprise Institute, a Washington, D.C., research organization.

At the same time, the law's strict enforcement procedures and its stiff penalties for noncompliance are clear incentives for business owners to know and follow the rules. The Justice Department enforces the rules for public accommodations, and the Equal Employment Opportunity Commission (EEOC) oversees the law's employment provisions. The fine for an initial violation of the law can be up to $50,000; fines for subsequent violations can reach $100,000.

Moreover, it's becoming apparent that such penalties for violations could indeed be triggered by the law's complexities. Although its stated goals of accessibility for the disabled have received most attention, employers are becoming more aware of other considerations, such as employee health benefits, workers' compensation insurance, and the fine line between mental illness and common emotional stress.

Says EEOC spokesman Reginald Welch: "There's still a lot of evolution left" in the law, "a lot of court tests and decisions yet to be written."

The EEOC received 3,358 complaints under the employment provisions of the law between its effective date last July 26 and the end of 1992. That number was well under the total expected.

Thus far, 46 percent of the complaints to the EEOC allege wrongful discharge because of a disability. Twenty percent accuse employers of failing to make reasonable accommodations at work. The

remaining complaints cover a variety of matters.

If the EEOC finds merit in a bias complaint, the agency either gives the complainant permission to sue or files its own suit against the employer. By the end of 1992, the EEOC had cleared the way for 41 complainants to proceed to court; the agency itself has filed only one lawsuit on behalf of a disabled employee.

In its suit, the EEOC has accused AIC Security Investigations Ltd., of Chicago, of firing its executive director, Charles H. Wessel, because he has inoperable brain cancer. In response to the EEOC suit, AIC officials stated that Wessel was fired for "legitimate business reasons"—that he could not perform essential functions of his job.

The AIC suit, according to EEOC trial attorney Jean P. Kamp, has been "moving quite rapidly" and is going to trial soon.

Most EEOC investigations are not advancing so quickly, however. Beset by budget and workload problems, the agency now has a 10-month lag in investigating filed complaints.

Compared with the EEOC, the Justice Department so far has received fewer complaints concerning the disabilities act's public-access rules, which took effect in January 1992 and apply to firms such as restaurants, stores, and theaters. During the first six months of enforcement, the Justice Department received 350 complaints about public accommodations—or about one-tenth the number of complaints that the EEOC received in a similar span. Two-thirds of the complaints filed with Justice involved physical barriers to the disabled in public facilities; 20 percent cited discriminatory business policies; and 10 percent complained of a lack of auxiliary aids, such as interpreters or listening-assistance devices, in places serving the public.

As legal experts had forecast, the responsibility for clarifying terms such as "reasonable accommodations" and "undue burden" is being left to the courts. Disabilities-rights activists say that language was left "purposefully vague."

The law's flexible language appealed to "common sense," said Justin W. Dart Jr., chairman of the President's Committee on Employment of People with Disabilities, at the time the measure was enacted. Dart is an entrepreneur, and he uses a wheelchair. His views on the law's language didn't find favor with many business owners then, and they still don't, as Newton Becker's fight with the government shows. Many business owners view the broad terms of the disabilities law as potential traps that could land them in court.

For example, Carolyn Huckabee, a manager whose responsibilities include disabilities-law concerns for State Bank & Trust in Colorado Springs, Colo., says that customer areas are accessible to disabled customers, but she doubts that an employee who uses a wheelchair could pass through the narrow corridors of the office area. Because the independent bank has 24 employees—just under the 25-employee threshold for compliance last July 26—it will not be covered by the new employment rules until July 1994. "We would have to tear out restrooms and knock down walls all over the place," says Huckabee. "It would definitely cause undue hardship."

The potential problem for firms like State Bank & Trust, however, is that the likelihood is slim that a government official will issue anything resembling an "undue hardship" decree that would head off discrimination suits by prospective employees. Such findings can be made only on the basis of a specific complaint.

Even those business owners who have taken major steps toward compliance say that in the absence of more explicit guidance from the government, their efforts are exercises in improvisation. One such owner is Mike King, president of Mari-Mann Herb Co. Inc., in Decatur, Ill. "I'm probably not doing everything right," he says, "but I'm trying to do my best."

About 80 percent of the employees at King's herb farm have some type of disability. King says his company has found ways to accommodate the needs of employees who have learning disorders, epilepsy, and severe visual and hearing impairments.

The adjustments have not always been easy, King says, but they certainly have been worthwhile. He hired an employee with epilepsy, whom he recruited through the Illinois Department of Rehabilitation Services. Though people with epilepsy usually can control the disorder with medication, "they are going to have a seizure now and then," says King. "We know how to handle it."

Letting employees with disabilities manage their own accommodations to the extent they can is the best support an employer can give them, many specialists say.

"We're not looking at the difficulty of the disability," says Mikki Lam, executive director of Just One Break Inc., a recruiting firm for people with disabilities, in New York City. "We are looking at the talent people with disabilities can offer."

But Carolyn Weaver of the American Enterprise Institute suggests that the disabilities law might actually work against efforts of some concerned employers. While "lots of employers" were willing in the past to give people with certain conditions a chance, she says, the passage of the law means "this isn't just an experiment. You can't give it a try and

Employers' Dilemma

The top section below summarizes the disability law's job protections, which cover insurance benefits. But the second section indicates that insurance carriers may continue to use disability factors in calculating risk.

Section 1630.4 [Employment] Discrimination Prohibited

It is unlawful for a covered entity to discriminate on the basis of disability against a qualified individual with a disability in regard to:
(a) Recruitment
(b) Hiring
(c) Rates of pay
(d) Job assignments
(e) Leaves of absence
(f) Fringe benefits available by virtue of employment, whether or not administered by the covered entity;

Subpart B—General Requirements

Section 36.212 Insurance

(a) This [act] shall not be construed to prohibit or restrict—(1) An insurer ... or entity that administers benefit plans, or similar organizations from underwriting risks, classifying risks, or administering such risks that are based on or not inconsistent with State law; or
(2) A person or organization covered by this [act] from establishing, sponsoring, observing, or administering the terms of a bona fide benefit plan that are based on underwriting risks, classifying risks, or administering such risks that are based on or not inconsistent with State law; or
(3) A person or organization covered by this [act] from establishing ... a benefit plan that is not subject to State laws that regulate insurance.

The Equal Employment Opportunity Commission has not determined how these two sections of the law are to be reconciled. Employers and benefits experts say they are confused.

then terminate the employee if it doesn't work. You take on all the obligations under the law."

Some companies have found that a major source of information on compliance with public-access rules can be people with disabilities themselves. Joe Schmidtberger, owner of Alvin's IGA, a grocery store in Lawrence, Kan., helped train his 39 employees to serve customers with disabilities by calling in those patrons to explain their needs. Shoppers who use wheelchairs described the types of help they needed reaching merchandise. A customer who recently had surgery gave the staff phone numbers to call if she suddenly were to have medical problems in the store.

Such direct contact with disabled individuals is most important in learning about their needs, according to Morris Sterneck, executive vice president of Hycel Properties Co., which owns two large suburban shopping malls in the St. Louis area. Hycel called on Paraquad Inc., a local independent-living center for the disabled, for help in educating 200 mall maintenance workers and food-service employees about the needs of customers with disabilities. "It gave [the staff] an understanding and a sensitivity as to what the needs are" of disabled customers, Sterneck says.

Accommodating disabled persons *in the workplace has been difficult at times but always worth it, says Mike King, left, owner of Mari-Mann Herb Co. His employees include his brother Joel King and Connie Reed.*

Experts agree that planning like that provided by Schmidtberger, Sterneck, and King is crucial for complying with the disabilities law but does not always address the less visible issues such as the law's effect on health coverage and workers' compensation.

In attempting to hold down the costs of medical insurance for workers, many small businesses have limited coverage for mental-health or substance-abuse treatment. Moreover, insurers frequently deny or restrict coverage for pre-existing health problems. But under the new disabilities act, some legal analysts believe, curtailing coverage for specific disabilities could be illegal.

However, a clear-cut answer is evasive, analysts say, because two separate parts of the law appear to contradict each other. (See the box on Page 20.)

Analysts base their view on the section of the law that bars employers from discriminating against the disabled in any area of employment, including fringe benefits. Another part of the law, however, tells employers, unions, and others sponsoring benefit plans that insurers may set rates based on age, sex, or health conditions of those covered—a system known as "experience rating"—as long as they don't exclude specific disabilities as a cost-cutting measure.

Nonetheless, "by definition, health insurance makes differentiations based on illnesses," says Jonathan Mook, an attorney who has studied the issue closely for the Washington, D.C., bar association.

Insurance expert Daniel R. Thomas says that the disabilities act "was intended to open employment opportunities" and not to curb the practice of experience rating. Thomas is director of insurance products for the Health Insurance Association of America, in Washington, D.C., which took part in the legislative crafting of the law.

The EEOC as yet has no policy to clarify the apparent contradiction between the two sections of the law. In February, however, the EEOC's New York office ruled that a union, the Mason Tenders District Council of New York, violated the disabilities law when it cut medical coverage for AIDS-related treatments from its self-insurance policy.

The New York ruling based on the disabilities act is still open for appeals to the EEOC in Washington and the courts, so the issue is not yet resolved.

"It's still speculation," says Terry Humo, legal counsel at the benefits consulting firm Sedgwick James, in San Francisco. If the EEOC is still "struggling" with the health-insurance matter, Humo adds, "what's the employer supposed to do?"

For now, legal analysts seem to agree that employers may continue to limit coverage for certain medical treatments if the limits are imposed without regard to disabilities. A common example is a limit on blood transfusions. Although this may put hemophiliacs at a particular disadvantage, it treats all members of the insured group the same.

Such limits "done across the board or with respect to treatments are not going to raise an issue for employers," says Christopher G. Bell, a Washington attorney who recently left his job as policy chief at the EEOC to join a private law firm. "What will raise the issue of liability [under the disabilities act] is where the cost-containment measure is disability-specific" such as ruling out all therapies for hemophilia, says Bell.

Employment-law specialists also have a

PHOTO: ©WAYNE SORCE

Recruiter *Mikki Lam, right, who herself has a disability, says, "We're looking at the talent people with disabilities can offer." With her is applicant Gail Mamatos.*

mixed view of the impact the disabilities law will have on workers' compensation. On the one hand, experts say, the disabilities act complements the goal of workers' comp by accelerating the return of injured workers to their jobs. On the other hand, they say, certain technical traps in the new law may turn some workers' comp cases into problems.

Many workers' compensation policies exceed the intentions of the disabilities law by encouraging the injured employee's return to work, often through lighter-duty reassignments. At the other end, experts say, employers sometimes conclude that an injured worker will never be able to resume the previous full-time duties and seek settlements terminating their employment.

But settlement of a compensation claim privately does not mean the employer is released from the rules of the disabilities act—that is, to consider all qualified job candidates regardless of disabilities.

However, the problem for smaller employers is that they do not always have lighter-duty jobs available. Of course, workers' comp specialists say, the boss doesn't have to excuse the employee from essential job functions and offer lighter-duty work unless the more strenuous work is marginal to the job.

But unlike the common practice of the past, employers cannot tell injured employees to stay home until they are totally healed, says Milt Wright, an occupational training specialist and president of Milt Wright & Associates Inc., in Chatsworth, Calif. Employees recovering from job-related injuries should be able to go back to work as soon as they can take on the essential functions of that job.

Employers should also emphasize to supervisors, Wright says, the importance of avoiding any derogatory or derisive remarks about injured workers. The disabilities act expressly protects people "regarded" as having a disability—even if they have no actual impairment limiting their activity.

An employee directly or indirectly charged with malingering because no injury or disability is apparent could file a bias claim against the company.

Most important, says Carla Walworth, a Hartford, Conn., employment attorney, is that business owners cross-check their firms' workers' compensation protocols to make sure their policies coincide with disabilities-act rules.

As with workers' compensation and nearly every other dimension of the disabilities law, the issue of mental illness presents complex compliance issues. People with mental illnesses, such as depression, schizophrenia, or anxiety disorders, have the same protection under the law as those with physical impairments. In fact, according to EEOC data, 8 percent of bias complaints to date cite mental disorders, second only to back injuries (15 percent of complaints), as a specific factor in discrimination.

An estimated 20 percent of people will have some form of mental disorder in their lifetime, says Kathy Debenham, project director at the National Mental Health Association, in Alexandria, Va. Mental illness is about as prevalent as heart or respiratory disease, Debenham says, but "the stigmas are still rather overwhelming."

Workplace attitudes are the most common barriers to accommodating employees with mental illness, says Carol Dantzic, human-resources manager at Statistica Inc., a computer-services firm based in Rockville, Md. Statistica has about 400 employees. Three of the firm's workers have manic-depressive disorder

Firms Take Action

Employers have been making efforts to bring their hiring and employment methods into line with the new law's requirements by:

- Going back over job application forms to be sure they don't ask questions about disabilities. Applications should ask only about a candidate's ability to do the essential functions of a job.
- Reviewing job-qualification criteria, screening procedures, and aptitude tests to be sure they relate to the key parts of a job.
- Rewriting job descriptions to distinguish between essential and nonessential parts of a position.
- Changing policies on medical examinations for job suitability. Employers may require a medical exam upon a conditional job offer, but all candidates must take the same medical exam, and the answers sought must be strictly job-related.
- Keeping a file of all accommodations made for applicants and employees, as well as all requests for accommodation. If an accommodation request is turned down, legal experts say, you should document the reasons specifically and prepare to show how it would have caused the business substantial hardship.

Commercial firms that serve the public need to anticipate any accommodations a customer, client, member, or subscriber might need because of a disability by:

- Devising alternatives to give customers with disabilities customary access to a firm's products and services.
- Performing audits of public facilities. Organizations representing the disabled or individuals with disabilities can help head off unpleasant surprises for customers, employees, and business owners.
- Providing "sensitivity" training to staff, with the disabled themselves a good source of assistance here also.
- Talking with landlords, in conjunction with a legal expert, to determine whether the tenant or the landlord has responsibility for specific access in leased property. The law generally requires landlords to deal with common areas, parking lots, entrances, and restroom facilities of a shopping mall, for example, while tenants are responsible for providing access within the space they lease.

and take medication as treatment.

Dantzic says the success of employing the mentally ill depends on having a professional intermediary to work out "expectations and understandings" between the employee and management. "We couldn't do this if it weren't for their social workers' and psychiatrists' willingness to talk to us by phone."

But despite assurances to the contrary, many owners and managers are quite wary of specious disabilities-act claims that cite stress or burnout on the job. A 1991 study by Northwestern National Life Insurance Co., in Minneapolis, found that one in three American workers considered leaving their jobs in 1990 because of stress. Critics of the law's mental-disability protections fear that a dissatisfied employee could say he or she was suffering from job stress and could demand inordinate accommodations, or file a complaint against the employer, or do both.

PHOTO: SCHUCK KNEYSE—BLACK STAR

After work, *employees at Alvin's IGA grocery, in Lawrence, Kan., meet with disabled customers to find out their needs as shoppers.*

Given the complexity and confusion surrounding many aspects of the Americans with Disabilities Act, business owners are eager for reliable guidance through its maze of regulations.

The federal government offers some resources, and an extensive amount of published material is available. (See the box below.) Many local chambers of commerce, architects, law firms, and benefits consultants are offering seminars or other resources on the law's requirements. Various advocacy groups representing the disabled can also be good sources of information.

There is particularly strong pressure on business owners to become knowledgeable, regardless of their attitudes toward the statute, says one expert in summing up the view that employers should take. "A lot of businesses are afraid of the act," says Denise Fallon, a coordinator for Mobility International USA, of Eugene, Ore., which helps businesses deal with disability-related matters. Nonetheless, she tells business people, that doesn't change the final fact: "This is now a national policy. You need to catch up." NB

To order reprints of this article, see Page 80.

Information On The Disabilities Law

Following are publications, organizations, and other sources of help for companies in their efforts to comply with the Americans with Disabilities Act.

The federal government has established 10 regional Disability and Technical Assistance Centers to help businesses comply with the law. To reach the center in your region, call 1-800-949-4232. The service is free.

The U.S. Chamber of Commerce offers a compliance guide, *What Businesses Must Know About The Americans With Disabilities Act*. The price is $14 for U.S. Chamber members, $21 for nonmembers. To order, call 1-800-638-6582. Ask for publication No. 0320.

The Council of Better Business Bureaus Inc., a nonprofit consumer advocacy group, offers *How to Avoid Scams and Schemes Related to the Americans With Disabilities Act of 1990*. For a single copy, send $1 (for postage) to: Council of Better Business Bureaus, Department 023, Washington, D.C. 20042-0023; for information on bulk orders, call (703) 247-3910.

Dispute-resolution groups such as the following can help companies settle disability-related complaints out of court:

■ American Arbitration Association, 140 W. 51st St., New York, N.Y. 10020; (212) 484-4000. Makes referrals to its local offices and has published a directory of arbitration experts by subject.

■ American Bar Association, Standing Committee on Dispute Resolution, 1800 M Street, N.W., Washington, D.C. 20036; (202) 331-2258. Publishes the *Dispute Resolution Program Directory*, listing local dispute-resolution projects and arbitrators.

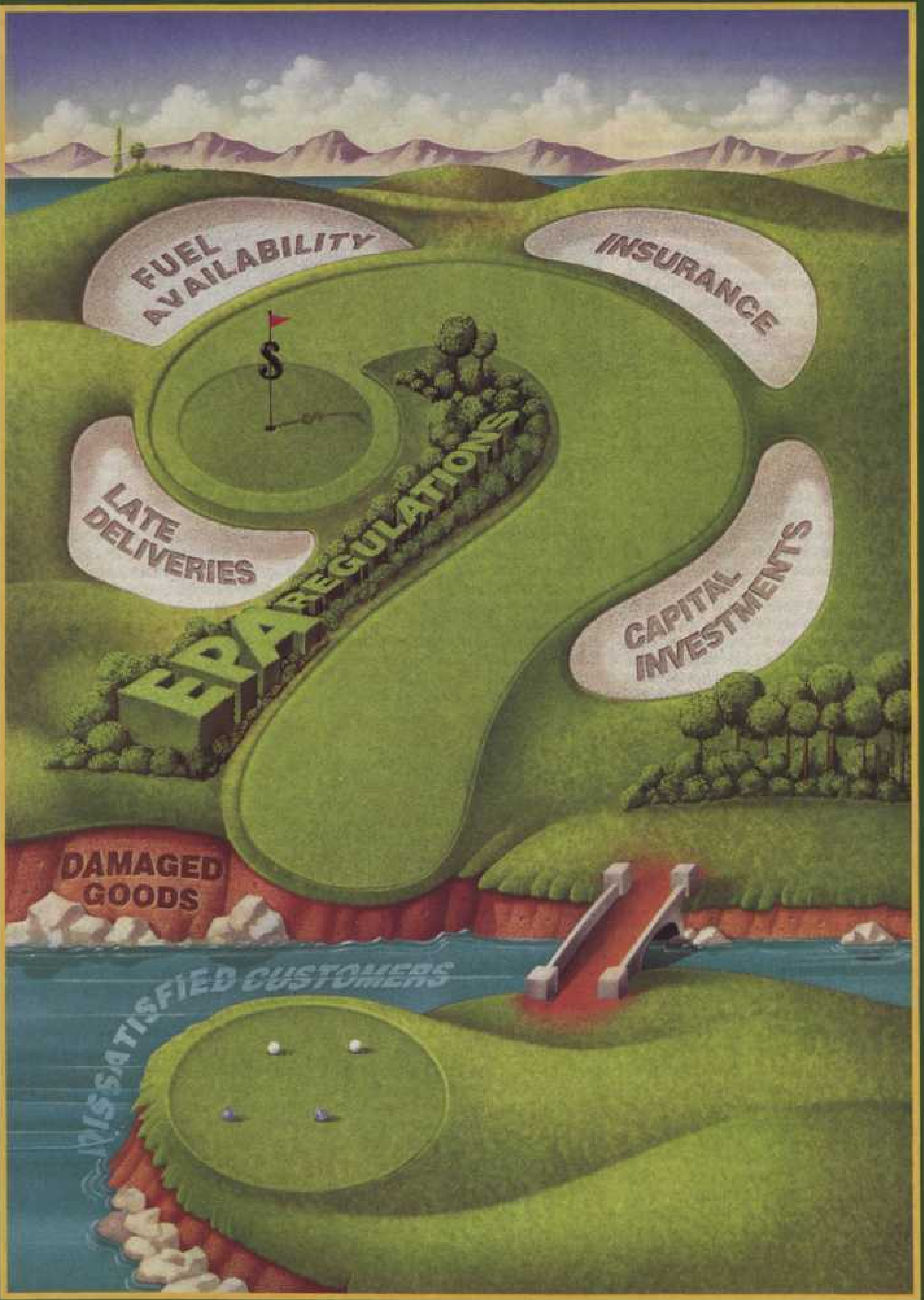
Hands-on tools to help business owners comply with the disabilities law are available from *Nation's Business* and Meeting the Challenge Inc., a Colorado Springs, Colo., firm specializing in disability-access issues. One of the tools is called Consultant-in-a-Box. It contains devices to help measure fixtures in the business for compliance with new federal access standards.

Two other tools are for training—one by computer disk and the other by videotape; they are designed to help business owners and managers learn about the disabilities act.

Consultant-in-a-Box costs $104.95; the computer software, called ADA IQ, costs $63.95; the video, titled "The Basics of ADA," costs $53.95. All three can be bought for $179.95.

To order any one or all three, call 1-800-528-1993, or mail your check to *Nation's Business*, Circulation Department, P.O. Box 1200, Washington, D.C. 20013.

A package of five reprints of articles on the law, from *Nation's Business*, is available for $9.95. To order the package, *Complying With The Americans With Disabilities Act*, write to *Nation's Business*, Circulation Department, P.O. Box 1200, Washington, D.C. 20013; or call 1-800-692-4000.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BENEFITS

Meet The New Law On Family Leave

Here are the central features and possible pitfalls of the recently enacted Family and Medical Leave Act.

By Roberta Maynard

At the signing *of the family-leave bill by President Clinton were Vice President Gore, leaders of Congress, and, at left, Vicki Yandle of Marietta, Ga., a proponent of the law.*

Congress passed and President Clinton signed a family-leave law in February, but it will be some time before its full impact on small business can be assessed. The law gives the U.S. Department of Labor 120 days to draft detailed regulations for implementation and enforcement. Those specific rules will show just what employers must do to comply with the new statute, which takes effect Aug. 5.

Provisions of the law itself, however, show that significant changes may occur.

Under the act, all U.S. businesses with 50 or more employees will have to provide up to 12 weeks of unpaid leave per year for eligible employees in these situations:

- Upon the birth of the employee's child;
- Upon the placement of a child with the employee for adoption or foster care;
- To care for a child, spouse, or parent with a serious health condition, or because of the employee's own serious health condition.

Employers must also:

- Continue to provide pre-existing health benefits, although they are entitled to recover premiums paid for the leave period if the employee does not return to work.
- Guarantee that employees will return to equivalent jobs.

To be eligible for leave under the new law—the Family and Medical Leave Act of 1993—workers must have been employed by the business for at least 12 months and must have worked 1,250 hours during the year before the leave begins. If paid leave is available, the employer may require the employee to substitute the paid leave for part of the 12 weeks. When the need for leave is foreseeable, the employee must provide at least 30 days' notice.

One factor that could cause workplace disruption is the provision that workers may take leave intermittently or on a reduced schedule when leave taken is because of their own health condition or that of a family member. If the leave is taken because of a new or adopted child, it may be taken intermittently only if the employer agrees to it.

Employers won a couple of provisions that could help them control the law's impact on their operations. They can exempt the highest-paid 10 percent of their work force from the leave benefit, and they can require on-leave employees to report periodically on their leave status and intention to return to work.

As with any new legislation, there are potential problems. One of the biggest challenges facing employers will be to sort out inconsistent provisions of state and federal laws, says Francis T. Coleman, a partner in a labor-and-employment law firm, Coleman, Coxson, Penello, Fogleman, and Cowen, in Washington, D.C.

The federal law does not supersede any state or local family-leave law that has more-stringent provisions. In fact, the federal law specifies that employers are subject to whichever law provides the greater benefit to families.

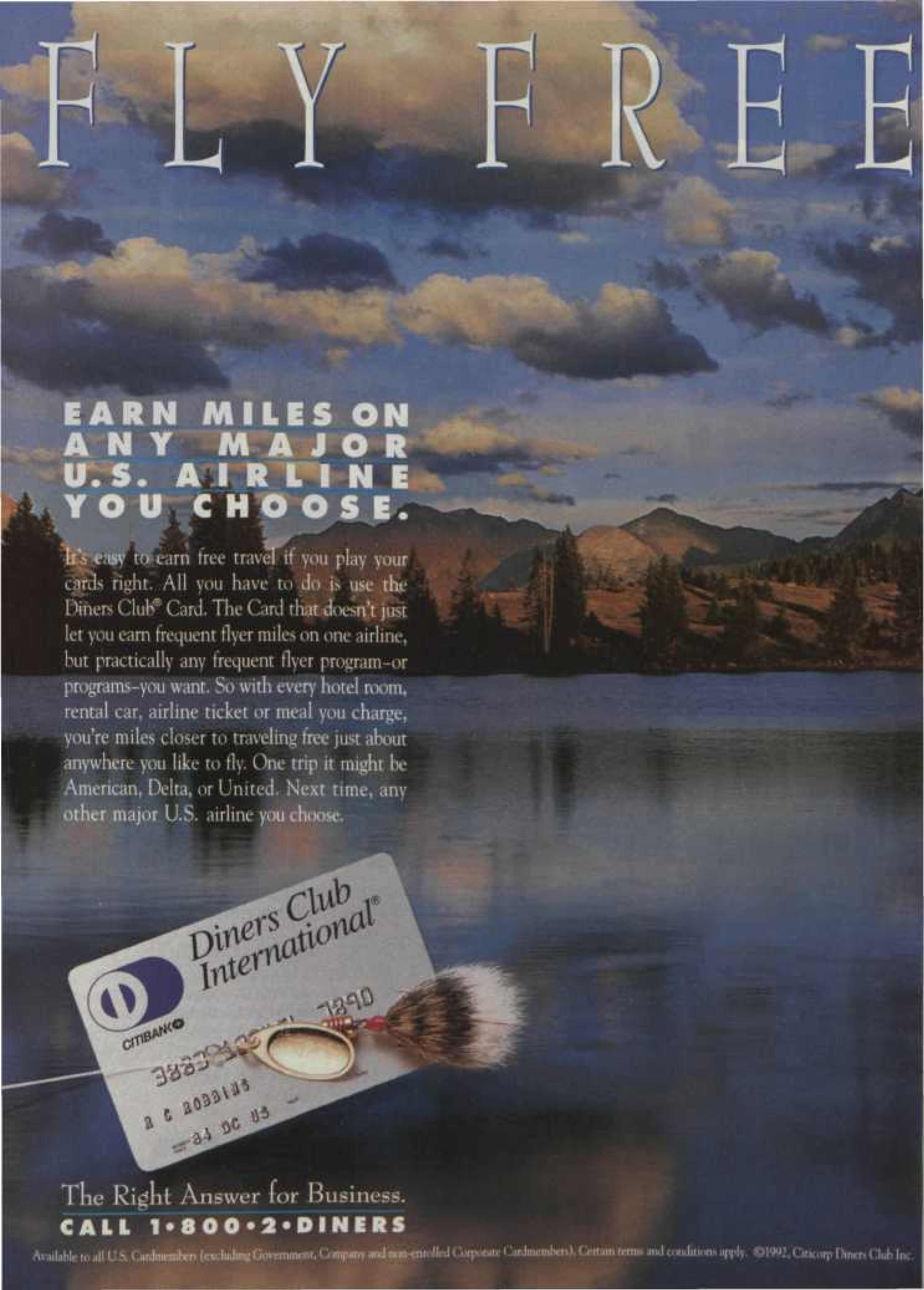
But businesses must also be careful not to run afoul of the federal law while trying to comply with their state law. For example, the District of Columbia allows up to 16 weeks of leave over a two-year period. If an employee takes 12 weeks during the first year, D.C. law says, he or she has only four remaining the following year, but federal law still guarantees the employee 12 weeks each year.

Eleven states and the District of Columbia have laws that guarantee some form of family leave for employees in the private sector. Those states are California, Connecticut, Hawaii, Maine, Minnesota, New Jersey, Oregon, Rhode Island, Vermont, Washington, and Wisconsin.

Another possibility is that the law may open up new avenues for disgruntled employees to pursue lawsuits, says Coleman. An example is the provision prohibiting employers from retaliating against employees who take leave. "Later on," he says, "if the employer takes an adverse action, it may lead the employee to accuse the employer of retaliation."

Employers can guard against this kind of claim by being sure that all personnel actions, including the leave agreement and any work-performance problems that may arise, are well-documented. Coleman suggests that employers develop—and have employees sign—a standard form to record the specifics of the leave, including dates, amended work schedules, and employee rights and benefits.

An important footnote: The law requires employers generally to make and keep records documenting compliance, but specific details of record keeping and other requirements will be laid out in the Labor Department regulations, due out by early June. A spokesman for the department says the regulations are a top priority and they may be completed before the deadline. Look for details in an upcoming issue of *Nation's Business.* NB



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DAFW/E2

TAXATION

Clinton's Tax Plan: The Impact Varies

The president's proposals could benefit some types of businesses and burden others.

By Joan Szabo

PHOTO: KEVIN VANDIVIER—BLACK STAR

The investment tax credit *proposed by President Clinton would help his firm defray computer purchase costs, says James Ziaja, president of ACS Communications.*

Small-business executive James Ziaja says that President Clinton's investment-tax proposal would be a big plus for his Austin, Texas, firm, ACS Communications.

But Stephen Elmont, a restaurant owner in Boston, views as "outrageous" the Clinton recommendation for a further reduction in the deductibility of business meals and entertainment.

The conflicting views of the two entrepreneurs spotlight the mixed reaction of small business to the Clinton tax proposals because of the varying impact they would have on various types of business.

Ziaja, who is chief operating officer of ACS, which is a supplier of voice and data cabling systems and services, says the firm plans to take advantage of the investment tax credit—if it is approved by Congress and signed by the president—by buying $100,000 worth of computers in coming months.

The company, established in 1985, employs more than 200 people and has divisions in Dallas, Houston, San Antonio, Phoenix, and Atlanta.

As proposed by Clinton, the small-business investment tax credit would be permanent and available to firms with average annual gross receipts of less than $5 million in the three years immediately preceding the taxable year.

For property placed in service after Dec. 3, 1992, and no later than Dec. 31, 1994, the credit would be 7 percent. For property placed in service on or after Jan. 1, 1995, the credit would be 5 percent.

Ziaja says that the investment credit would be especially beneficial for ACS, which plans to use the computers to make the company more efficient.

But experts point out that some industries would fare better than others under the president's economic plan. Boston restaurateur Elmont, for example, protests Clinton's proposal to reduce the deduction for business meals and entertainment to 50 percent from 80 percent. If it is enacted, he says, it could cut into his business, which employs 30 people and depends heavily on business-related dining.

Clinton's energy-tax proposals are seen as a potentially painful direct blow for industries and businesses that are heavy users of fuels. Higher costs incurred by energy users would eventually be passed on to small businesses generally, critics say.

The energy tax would be based on the heat content of the energy used as measured in British Thermal Units (BTUs). A BTU is the amount of heat required to raise the temperature of a pound of water by 1 degree Fahrenheit. Coal and natural gas would be taxed at 25.7 cents per million BTUs, and oil at 59.9 cents per million BTUs. Under such a tax increase, the average annual increase in costs for commercial customers of electricity would be 3.92 percent, according to the Edison Electric Institute.

For some firms, however, the energy-tax proposal could have a silver lining. Michael Raine, one of the owners of Raine & Son, a heating, air-conditioning, and plumbing firm in Hyattsville, Md., expects his company to benefit from higher energy costs. The increases, he says, are likely to stimulate business for his company as consumers upgrade their heating and cooling equipment "to lower their own [energy] taxes." In the long run, he says, "energy conservation is important, and ultimately that will also help the environmental impact of poor combustion equipment."

Here are the major proposals in the president's plan that would affect small companies directly, along with their likely effects on small firms.

Individual Income Tax Rates

Clinton's proposal calls for a new top income tax rate of 36 percent for taxable income

TAXATION

above $140,000 for couples and $115,000 for individuals. In addition, the plan includes a 10 percent surtax on individuals with taxable incomes of $250,000 or more. This translates into an estimated adjusted gross income of $305,000 or more.

The surtax would in effect establish a new top tax rate of 39.6 percent. On individual returns with $350,000 in taxable income, the $100,000 in income above $250,000 would be taxed at 36 percent, a tax of $36,000. The surtax would be applied to the $36,000 of tax, adding $3,600. Together, that is a tax of $39,600 on the $100,000 above $250,000.

The proposed higher tax rate would be especially burdensome for small firms organized as S corporations. It is estimated that more than 1.5 million businesses file tax returns as S corporations.

"If you are going to put all the company's earnings on the individual's 1040 as S corporations do, it is not difficult for a number of small-business owners to become subject to the surcharge," says Sam Starr, a partner with the Washington office of the Coopers & Lybrand accounting firm. An S corporation's earnings are not taxed at the corporate level. Instead, income passes to shareholders in proportion to their ownership of the firm, and it is taxed at personal-income rates.

Starr adds that a substantial portion of the earnings reflected on the return of an individual S-corporation shareholder is actually being reinvested in the business. Yet under the president's proposal, these individuals would be subject to the proposed top tax rate on those earnings.

Thomas Brock, president of the accounting firm of Brock & Co., in Longmont, Colo., agrees with Starr's assessment. "It is not fair to equate income from S corporations to income from salary because income from salary you do take home. People in an S corporation pay tax on total income of the firm and take home only part of it," he says.

The self-employed, partners, and sole proprietors who deal with their business taxes through Form 1040 would also face the higher rates if they meet the income levels of the proposal, says Starr.

On a separate matter, the current top tax rate of 28 percent for long-term capital gains would remain unchanged.

Impact Of Investment Tax Credit On Durable-Equipment Spending

Year	Average Annual Growth Rate In Equipment Spending	Status Of Investment Tax Credit*
1957-61	+ 0.6%	Not Instituted
1962-66	+11.6	7% Instituted Jan. '62
1966-67	- 14.4	Suspended Oct. '66
1967-69	+ 6.4	7% Reinstated March '67
1969-71	- 3.2	Eliminated April '69
1971-74	+ 7.2	7% Reinstated April '71
1975-85	+ 4.7	Raised To 10% Jan. '75
1986-92	+ 2.1	**

Percentage changes were computed with constant-dollar data seasonally adjusted at annual rates.

*Only major changes in the investment tax credit are noted.

**Investment tax credit eliminated for property placed in service after Dec. 31, 1985.

SOURCE: AMERICAN COUNCIL FOR CAPITAL FORMATION CENTER FOR POLICY RESEARCH

CHART: ALBERTO PACHECO

This would encourage high-income investors to favor long-term growth opportunities over those that generate immediate income, according to tax experts.

Payroll Taxes

Higher-income taxpayers and partners in a partnership would also be affected by a proposal to eliminate the present $135,000 ceiling on wages subject to the 1.45 percent Medicare hospital-insurance payroll tax. Clinton proposes that all wages received after Dec. 31, 1993, be taxed at the 1.45 percent rate.

Self-employed individuals are subject to a 2.9 percent Medicare payroll tax, and that figure would be applied to all income under the Clinton proposal.

Corporate Income Tax Rate

The president's proposal calls for the establishment of a new top 36 percent rate for corporations with taxable income over $10 million. Under the proposal, corporations with taxable income above $15 million would be subject to a 3 percent surtax, which would effectively establish a flat 36 percent rate on all their taxable income.

Under current law, the corporate income rate has three brackets: a 15 percent rate on the first $50,000 of taxable income,

Enterprise Zones And The Clinton Plan

President Clinton's proposals include provisions to stimulate the development of enterprise zones in America's inner cities and rural areas. The administration wants as many as 50 "demonstration" zones in which business owners would receive such tax incentives as wage credits against federal income taxes to encourage them to hire zone residents.

The president, a supporter of enterprise zones in Arkansas when he was governor, is asking Congress for more than $2.4 billion in tax breaks, spread over four years, in his enterprise-zone program. But in addition, proponents believe, some $1 billion may be in so-called "direct" benefits in the form of day care for the children of parents working in the enterprise zones, antidrug and anticrime efforts, and job training.

Officials at the Treasury Department, where parts of Clinton's version of enterprise zones are being drafted, are believed to be working from a 1992 Senate enterprise-zone draft that, among other things, makes liberal use of tax-exempt bond financing to encourage investors to pump money into enterprise zones.

Zone supporters, after a dozen years of making do with only incentives at the state level, are delighted at the new federal interest, especially if it expands the concept beyond granting tax breaks.

Says Dick Cowden, executive director of the American Association of Enterprise Zones, in Washington, D.C.: "We're very pleased. We've finally gotten past the partisan era of enterprise zones. We needed a conservative Republican to open China. Now we need a moderate Democrat to get enterprise zones back. From now on, it's going to be driven by consensus."

Treasury's Maurice Foley, who is working on enterprise zones for the Clinton administration, says what's being looked at now are capital incentives, specifically accelerated depreciation. He says there may also be a tie-in with community-development banks, which Clinton strongly favored in Arkansas, to make loans available to zone entrepreneurs.

Still needed, says Cowden, is a linking of the administration's proposed investment tax credit and capital-gains tax relief—which Clinton wants for small business generally—to the zone idea to make it even more appealing to investors.

Beyond that, he'd like zones to be seen by the administration as "target mechanisms for whatever is appropriate to help the cities." —*John S. DeMott*

a 25 percent rate on the next $25,000, and 34 percent on income above $75,000.

Corporations with taxable income between $100,000 and $335,000 pay an additional 5 percent surtax that phases out the benefits of the lower marginal rates, making the effective top marginal rate on these dollars 39 percent. Above $335,000, the tax rate is a flat 34 percent.

Corporate Deduction Changes

The proposal would establish a new $1 million cap on deductions for an individual executive's pay. In 1994, the plan also would reduce to $150,000 from $235,840 the amount of compensation that could be taken into account for the purposes of determining an employee's allowed level of benefits and contributions to retirement plans.

Investment Tax Credit

Small firms having average annual gross receipts of less than $5 million in the three preceding taxable years would be eligible for an investment tax credit on qualifying property having a recovery life of more than seven years at the rate of 7 percent for property placed in service after Dec. 3, 1992. The proposed investment tax credit would become a permanent 5 percent for small firms for property that had been placed in service on or after Jan. 1, 1995.

For businesses other than small firms, the president has proposed a temporary incremental investment tax credit. Under the proposal, companies would be eligible to claim the credit for the excess of their investment in qualified property over a fixed base. The rate would be 7 percent for property placed in service after Dec. 3, 1992, and on or before Dec. 31, 1994.

PHOTO: T. MICHAEL KEZA

"It is not difficult for . . . small-business owners to become subject to the surcharge" on individual taxes.
—Sam Starr
Coopers & Lybrand

The fixed base would equal a percentage of a taxpayer's average historic investment in new and used property in 1989 through 1991, or in 1987 through 1991. The incremental proposal is not as generous as past investment tax credits, according to critics.

Capital Gains

To encourage investments in small companies, the administration proposes to provide a 50 percent capital-gains tax break on newly issued stock of a qualified small business acquired after Dec. 31, 1992, and held for at least five years.

A qualified small business would be a C, or regular, corporation that has raised less than $25 million from debt and equity markets from Jan. 1, 1993, through the date the individual acquires stock in the corporation and uses substantially all of its assets in the active conduct of a trade or business during substantially all of the taxpayer's holding period.

The gain eligible for the break would be limited to the greater of 10 times the original price of the stock or $1 million.

This proposal would not be available to the 1.5 million firms organized as S corporations, Starr notes.

To prevent abuse, many activities would be excluded from qualifying for the capital-gains break. These include businesses in banking, leasing, real estate, farming, mineral extraction, personal services, and the hospitality industry.

Other Tax Proposals

The president's plan calls for increasing the top estate-tax rates to 53 percent and 55 percent retroactive to Jan. 1, 1993. In 1993, both rates dropped to 50 percent.

The new 53 percent rate would apply to estates with assets over $2.5 million up to $3 million. The 55 percent rate would apply to those with assets over $3 million.

On a more positive note, the package includes a permanent extension of the research-and-development tax credit, the 25 percent deduction for health-insurance costs of the self-employed, the targeted jobs tax credit, and the tax break for employer-provided educational assistance.

Farther down the line in the new administration, there could be a major debate on whether basic tax policy should focus on consumption, possibly through such steps as a value-added tax. Advocates of that approach argue that the present system discourages the savings and investments needed for economic growth. NB

ENTERPRISE

"Adversity Brings Opportunity"

One entrepreneur's words sum up the spirit of 1993's National Blue Chip Enterprises—four companies with a focus on quality.

By Michael Barrier

PHOTO: T. MICHAEL KEZA

G. Rives Neblett *of Shelby Die Casting visits with associates—he doesn't call them employees—Maella Lawson, Elizabeth Lathan, and Lulu Jackson.*

Denis Mullane put it this way: "The Blue Chip Enterprise Initiative is about overcoming challenges and helping others to do the same."

He was speaking at the U.S. Chamber of Commerce's National Business Action Rally, moments before he presented trophies to four small businesses that embodied the purposes of the Blue Chip program. All four businesses overcame challenges that could easily have felled them, and they did so in ways that other businesses could emulate.

Mullane presented the Blue Chip awards in his role as president of Connecticut Mutual Life Insurance Co., which co-sponsors the Blue Chip Enterprise Initiative with the Chamber and *Nation's Business*. In its third year, the Blue Chip program drew more applications than ever before, and almost 200 companies across the country were designated Blue Chip Enterprises.

A panel of nine judges chose the four national designees from a semifinal pool of 52, one from each state, the District of Columbia, and Puerto Rico.

This year's national designees:

- CVR/Montana Furniture Galleries, of Bozeman, Mont.
- ICU Medical, of Irvine, Calif.
- Photronics, of Brookfield, Conn.
- Shelby Die Casting, of Shelby, Miss.

The stories of the four national designees, and of the other Blue Chip Enterprises, will be distributed nationally in various forms over the coming year. Each of the 52 state designees will be featured on "First Business," the morning business news show broadcast on the USA cable network and sponsored by the Chamber and Connecticut Mutual. Those video segments will be gathered in a video library. All of the nearly 200 Blue Chip Enterprises will be profiled in a book.

The videotapes and the book will be widely available through participating state and local chambers of commerce. They can also be ordered by calling 1-800-FORBCEI. That's the number to call, too, for applications for the 1994 awards; applications will be accepted until Nov. 19, and the 1994 designees will be announced early next year.

Here, in no special order, are the stories of the four national designees.

Shelby Die Casting

When G. Rives Neblett bought a majority interest in Shelby Die Casting Co. of Shelby, Miss., nine years ago, he didn't plan to become actively involved in the company. Neblett was a lawyer with his office in Shelby, an impoverished town of around 2,800; he was also a farmer, with 10,000 acres in rice, cotton, and soybeans, and he had other business interests to look after. Besides, die casting is manufacturing of a gritty kind—the Shelby plant brims with noise, flame, and molten aluminum.

After seven years, though, Neblett had gone through three general managers. The plant was unprofitable, its work force dispirited, the scrap rate horrendous.

The Shelby plant sells most of its output—alternator housings, engine covers, and the like—to big U.S. automakers. Those customers have been ever more demanding of high-quality work. "There's no room for error," Neblett says. But at the Shelby plant, errors were plentiful.

Neblett faced a decision: Should he close the plant? Or should he become

deeply involved in the firm's operations?

By 1991, that decision couldn't wait. Shelby Die Casting had an Alabama plant, too—an efficient and profitable operation, in contrast to the Mississippi facility—and it was expanding. By the end of 1992, the enlarged Alabama plant could absorb all the work being done at Shelby.

Neblett knew how badly Shelby would be hurt if it lost his company's annual payroll of more than $1 million. So he shut down his law practice and began devoting most of his time to the plant.

A year later, the unlikely transformation had in fact occurred. The Shelby plant was profitable again, and the scrap rate had shriveled to 8 percent from 35.

What has made the difference, Neblett says, is communication between managers and employees, "and the involvement of the people in the operation of the business. We never had a meeting with a worker before. They were programed to do what they were told. It's satisfying to see how hard these people work because they now feel that they're not just a number."

Shelby Die Casting's dramatic turnaround is in fact an advertisement for the principles known as Total Quality Management. "TQM really means just involving people in the organization," Neblett says. "It means passing the decision-making process farther down the line."

As a practitioner of TQM, Neblett, 49, is self-taught: "I went to a bookstore in Memphis and bought 12 books, everything I could find on quality management." Then he saw an advertisement for *The Team Handbook*, by Peter Scholtes of the Joiner Associates consulting firm, and he ordered it. Led by Bill Reznicek, vice president for finance and administration, plant managers read a chapter a week, absorbing the book's lessons on how to give employees broader responsibility for how they do their work.

There was a lot of turmoil at first, Neblett says, as he organized his employees into teams, because they "had never been allowed to sit and talk about a problem." He sat in on a lot of early team meetings, because "I didn't trust my managers to do it. They would try to dominate the meeting, and I'd have to say, 'Wait a minute, this is not the way.' "

When the hourly workers did get involved, Neblett recalls, "it was terrible. They would scream at each other, and we'd finally have to break up. It took four or five weeks before they learned how to conduct a meeting democratically."

But once past those initial rough spots, the teams began to function exactly the way they're supposed to, by pinpointing problems and moving in an orderly fashion toward resolving them. By the summer of 1992, Neblett was ready to take the next big step: reassigning supervisors and entrusting day-to-day operations to the teams.

These changes gave the hourly workers—overwhelmingly black—a much greater say in how they did their jobs, with many managers relegated to essentially advisory roles. The managers remained overwhelmingly white, but that, too, was changing. Last year, two black hourly workers became managers, one as personnel director.

Shelby Die Casting has been offering classes, too, some taught by managers, and others by teachers from nearby community colleges. On their own time—but at no cost to themselves—employees can learn skills they need to advance at the plant, or even such basic skills as reading and writing. "We have one person, maybe two, out of 93 employees who's not attending class," says Personnel Director Jackie Sanders.

For all the changes that Shelby Die Casting has undergone, Neblett says much more remains to be done: "We've got another two years to go to get where we'd really like to be."

The changes already made are impressive enough. Today, says quality supervisor Addie Baines, "management will listen, they'll work with you. In the old days, we didn't have that. I used to hate to get up in the morning, but now we've got everyone pitching in trying to solve the problems. It makes the job fun."

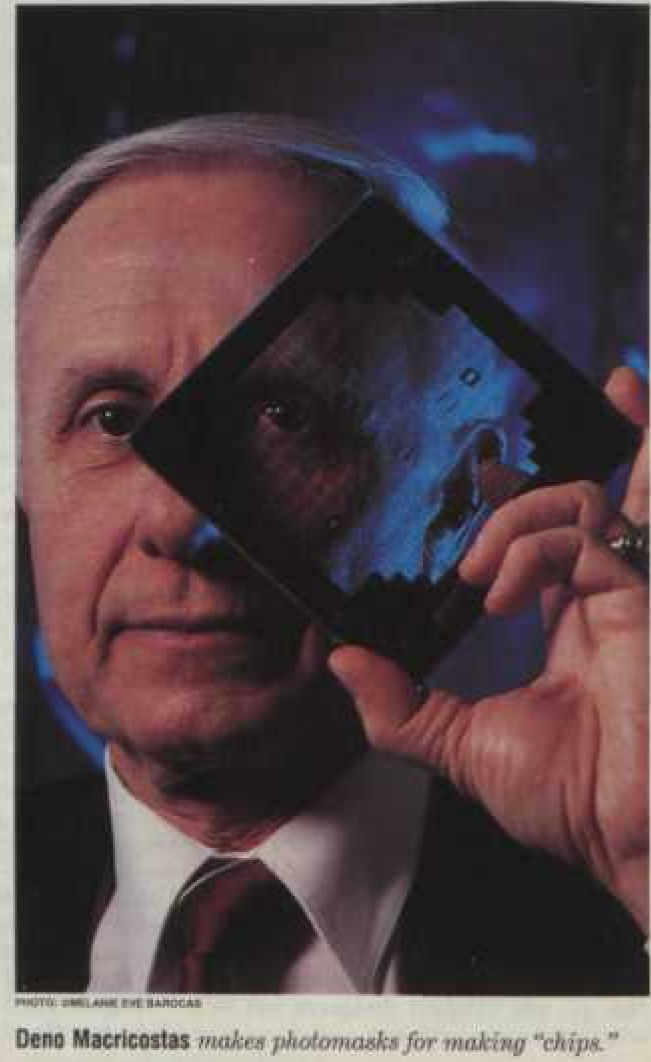

PHOTO: ©MELANIE EVE BAROCAS

Deno Macricostas *makes photomasks for making "chips."*

Photronics

"Adversity brings opportunity," says Constantine "Deno" Macricostas. He knows whereof he speaks. By seeing opportunities where others might see obstacles, Macricostas has built a high-tech manufacturing company with more than $40 million in annual sales.

Photronics, the company that Macricostas founded and now heads as chairman and CEO, is based in Brookfield, Conn., near Danbury. It manufactures a highly specialized product: photomasks, which are critical elements in the manufacture of semiconductors—the tiny "chips" at the heart not just of computers but of many other electronic devices.

Macricostas, 57, has been part of the industry since its infancy. He came to the U.S. from Greece as an exchange student, in 1954, and he and four other men started Photronics in 1969, literally in a garage. Three years afterward, when Photronics was still very small, Macricostas—weary of friction with his partners—left the company. But in 1974 he bought the company back, with help from a local banker, Michael Yomazzo, and a loan guaranteed by the Small Business Administration. Yomazzo joined the company as its chief financial officer in 1977.

From the start, rather than turn to venture capitalists, Macricostas and Yomazzo took full advantage of government programs to aid small business—SBA-guaranteed loans and industrial-development bonds in particular. Many companies recoil from government programs, Yomazzo says, out of ignorance and fear of the paperwork involved. The paperwork *is* daunting, he admits, as are the restrictions involved. Thanks to the government programs, though, Macricostas could avoid selling any equity until Photronics went public in 1987.

That was important, Yomazzo says, because "this is a capital-intensive busi-

Jim and Stacee Cover *saved their Montana furniture business after a devastating fire.*

ness. It requires long-term money, to buy long-term, fixed assets." Had Macricostas turned to venture capitalists for money, that would have meant selling off a large chunk of Photronics—and surrendering its fate to investors whose focus would have been on cashing out.

By hewing to its long-term goals, Photronics gradually became a strong presence in a field populated by smaller firms. Then, a few years ago, the giant Du Pont company decided to get into the photomask business.

Macricostas was not perturbed. "I saw that as a blessing," he says, "because Du Pont brought tremendous credibility" to a business that was otherwise an enigma to many investors. Photronics now ranks second to Du Pont among independent photomask manufacturers (that is, those companies that do not make chips, too).

Photronics adopted a formal Total Quality Management program in 1991—not in response to a crisis like the one at Shelby Die Casting, but to give its existing quality efforts an even sharper focus. Photronics' quality efforts have come under stricter scrutiny from its customers, and, typically, the company views that scrutiny not as a burden but "as a positive thing," Yomazzo says, because "customers can help you."

Through its quality program, Photronics has harnessed its technical sophistication with a heightened awareness of the customer's needs. As Yomazzo puts it, photomask production may be high-tech manufacturing, but "this is a very service-oriented business. And we understand it."

CVR/Montana Furniture Galleries

Just before Christmas 1989, a blaze that originated in a faulty furnace destroyed the plant of CVR, a Bozeman, Mont., manufacturer of oak furniture. Insurance covered only $105,000 of a loss totaling $250,000.

For CVR's founders and owners, Jim and Stacee Cover, the fire was the most severe in a series of tight scrapes for their five-year-old business. Jim was only 26 at the time of the fire, and Stacee 25, but they already had a wealth of experience.

The Covers were high-school sweethearts in Billings, Mont., and they both attended Montana State University at Bozeman. In 1983, after two years in college, Jim decided to take a year off. He worked for a store in Billings, repairing and finishing furniture, and finally decided to go into business for himself.

In the summer of 1984, Jim moved back to Bozeman to start what he expected to be a one-man, part-time furniture business; he and Stacee, newly married, both enrolled at Montana State in the fall. "I lasted two weeks" in school, Jim recalls. Stacee continued in college for almost two years after Jim left—she was a business major—until CVR's demands caught up with her, too.

To get his furniture into other stores in Montana, Jim went from town to town, trying to persuade furniture dealers to carry the CVR line. "It was really hard to convince people that we were a serious company," Stacee recalls, "and that we wouldn't be out of business in a year."

The Covers started with virtually no capital—$200 in savings and a $1,000 loan from Stacee's mother—and as they added employees and machinery to their rapidly growing business, they rode the roller coaster so familiar to cash-hungry entrepreneurs: A strong cash flow would bring with it incentives to move to larger quarters and buy new tools—and, Stacee says, "all of a sudden your cash flow is horrible."

The banks were skeptical, but the Covers resisted suggestions that they turn to a venture capitalist, because, Stacee says, "we have heard such horror stories." When fire leveled their plant, the Covers got money to rebuild through a low-interest loan funded by a federal block grant tied to job creation, and from an SBA-guaranteed loan.

In a critical decision, the Covers did not hire a contractor to remodel the building they leased; instead, they hired most of their former employees to do the work. Although the renovation of the building lacked the finesse so evident in CVR's products, the Covers were thus able to keep most of their crew together. The first furniture emerged from the new plant only four months after the fire.

CVR now employs almost twice as many people as it did in 1989; a few more

work in the Covers' retail store, Montana Furniture Galleries, which they set up as a separate corporation in 1990. CVR now wholesales its line to around 60 furniture dealers. The two companies produced total sales of more than $2 million last year.

The fire turned out to be what Jim Cover calls an "opportunity for the best, most dedicated people" among their employees to show their true mettle. Of the 29 employees at the time of the fire, about two-thirds "really wanted to take a risk, and dive in," by helping CVR to rebuild.

Today, the team spirit "is actually greater than it was," Jim says, "because so many of the people who were in that core who came back are now the team leaders." CVR has no formal quality program, but as Cover's use of the word "team" suggests, it has one in everything but name.

An alertness to quality in all its dimensions also shows itself at the Covers' retail store, which Stacee runs. The store serves as a sort of laboratory: Sometimes a retailer will call to tell the Covers there's a problem with a product—and they already know it, from customer comments at their own store.

The Covers want to build a much bigger business on this solid foundation. But for them, as for many small-business people, cash flow is a constant problem, and they would still like to find some source of capital that's not too confining. "We don't want to wait until we're 50 or 60" to see CVR a big success, Jim says.

PHOTO: ©BART BARTHOLOMEW

George Lopez *has proved that doctors can be good bosses.*

ICU Medical

When you visit the Spartan quarters of ICU Medical in Irvine, Calif., you'll find no receptionist at the front desk; and as ICU's founder and CEO, George Lopez, says, "There's no secretary to block you at my desk." Lopez, 45, has no secretary, or even an office. Like everyone around him, he works in an open cubicle.

In fact, ICU has no secretaries at all. "In this age of computers," Lopez says, "there's no reason why everybody can't write their own letters."

The absence of secretaries is only one of the most visible effects of ICU's searing brush with disaster.

Lopez, a medical doctor, founded ICU in 1984, to manufacture disposable medical products that protect hospital workers and patients from accidental needle sticks and infected bodily fluids.

After only a couple of years, ICU was growing rapidly and had more than $5 million in the bank.

In February 1987, Lopez acted on his belief that "doctors make lousy businessmen, and entrepreneurs stay too long. So like a good boy I turned [the company] over to MBAs"—professional managers he hired from a larger company.

That turned out to be a horrendous mistake, he says: "They quickly spent more money than they took in, on a consistent basis, by about $1 million a month." By 1989, when Lopez took charge of ICU again, the company had no cash and debts of $11 million. Its creditors forced ICU into Chapter 11 bankruptcy in August 1989, and for the next couple of years "I had to fight them off," Lopez says.

So total has been the reversal of the company's fortunes that last year ICU made a pretax profit of almost $5 million on sales of a little over $10 million. This year, Lopez says, "we'll make way over that."

In 1989, though, Lopez had to cut costs drastically, mainly by paring away most of the 65 employees. "Everybody was new to me," he recalls, so he asked each employee "to list 14 people who could bring in raw materials, make the product, ship it, get paid for it."

Friends' names topped each list—but the same names kept turning up at the bottom of each list, and those were the people whom Lopez kept.

At the same time, Lopez was willing to spend money to improve product quality. When he returned, he raised capital by asking for advance payments from his distributors.

The first check he wrote was a $14,000 deposit on a machine that would ultrasonically bond a plastic cap that child patients had been biting off.

The patterns underlying Lopez's early actions are now embedded in the company's culture. ICU has only 11 employees, plus five salespeople in the field; the other 50 people on the premises—the ones who actually make the products—are on the payroll of a temporary agency. There is throughout ICU a constant push to simplify—by consolidating forms, by gathering statistical data on only one critical variable in a manufacturing process, rather than several, and so on.

Such simplification makes it much easier to locate and correct the causes of defects. In Lopez's vision, managers do not so much solve problems as they create simple, workable systems that other people can use to solve problems.

At a lot of small companies, says Dave Arnold, vice president for operations, "the system is 'Well, George will take care of that,' or 'Dave knows where that is.' We're trying to get rid of that."

ICU shares many characteristics with companies that have successfully embraced TQM, but Lopez says that he did not rely on anyone's books or theories as a road map. Instead, he responded to ICU's dire circumstances in the only way he saw to save the company. As a result, ICU may be more than a TQM company—it may be a 21st-century company, a small, lean, super-quick operation where all the lessons of the quality movement have been absorbed so totally that they are taken for granted.

As he has built this trailblazing company, Lopez has shed any doubts he may once have had about his own ability to run a business. "Business is not hard," he says. "Business is simple. You've got to quit screwing around with stupid formulas. As Einstein said, 'As simple as possible, but no simpler.' That's the essence of business." NB

MANAGING

Ways To Curtail Employee Theft

Are your workers stealing from you? Here's how to find out—and fight back.

By Dale Buss

Ken Jedneak catches a couple of employees each month stealing from his 150-worker chain of Grocery Hut convenience stores in and around Minneapolis. "I have employees who look right into our security cameras and still steal," he says.

U.S. business owners and managers have recognized for years that employee theft is a huge and growing problem. But its dimensions are growing: Losses of goods and cash to worker theft have reached an estimated $120 billion a year, according to Neil Snyder, a University of Virginia business professor and co-author of the recently published *Reducing Employee Theft* (Quorum Books).

Kenneth Weiss, a Massachusetts-based security consultant, says about 30 percent of American workers plan to exploit their employer through some form of theft. An additional 30 percent are good employees but may succumb to temptation from time to time, he says, and 40 percent are basically honest. Weiss' figures generally coincide with the estimates of other workplace-crime experts.

In a National Retail Federation study released this year, employee theft accounted for 38 percent of total "shrinkage" (losses from employee theft, shoplifting, supplier theft, and misplacing of goods), or about the same percentage as shoplifting.

Despite the reported prevalence of workplace theft, however, employers are not raising the white flag. On the contrary, the recent recession forced business executives to focus on employee theft more than ever. The 2 percent of sales typically lost to employee theft "can mean the difference between viability and failure" for many retailers, says Richard Hollinger, a University of Florida sociologist. In the past, employers didn't like to deal with employee theft, he says. "But now they're realizing they have to."

Read Hayes, vice president of Loss Prevention, a Winter Park, Fla., consulting firm, says, "There's not a lot [retailers] can do in this economy to boost sales, so they're looking inward more" to find ways to cut costs and reduce inventory losses. "They're realizing that security costs are really investments in their business."

Dale Buss is a business writer in Milwaukee.

ILLUSTRATIONS: BILL COULTER

The following tips on preventing employee theft were drawn from interviews with security experts.

Applicant Screening

Personal interviews, credit checks, and reference checks can reveal information and impressions about job applicants that can help managers decide whether the applicants are trustworthy.

Ellen Karnphaler, general manager of Kaul Oil Co., has learned the cost of forgoing the use of those tools. Some years ago she hired an employee for one of the company's eight Milwaukee-area convenience stores, and within a year the worker was suspected of having stolen from the store. Though a personnel screening service had told Karnphaler that the applicant was "a little coarse," Karnphaler hired the person without making a thorough background check, and then later discovered that a previous employer also had accused the employee of workplace theft.

"Honesty" Tests

In addition to personal interviews and reference checks, many employers use pencil-and-paper "honesty" tests to screen out potentially untrustworthy employees. The tests predict future behavior based on the test taker's attitudes and admissions of past conduct. The exams cost employers about $8 to $20 apiece; the price includes scoring. Applicants take the test at the job site, but it is scored by the test publisher. The three biggest providers are London House, a Chicago-based psychological-test firm; Reid Psychological Systems, in Chicago; and Pinkerton Services Group, in Charlotte, N.C.

Honesty tests have become attractive options to more employers since the federal Polygraph Protection Act of 1988 barred the use of so-called lie-detector tests by most businesses.

Much anecdotal evidence supports the written tests' effectiveness. Jack Jones, vice president of research and development for London House, says five major retail chains surveyed by London House last year cut their shrinkage by about 40 percent after two years of testing.

Central Parking System Inc., in Nashville, Tenn., uses Reid's tests to weed out nearly half of the candidates for its positions handling cash in 800 parking lots across the United States and England.

Jones says the most popular tests now gauge more than "core integrity." They also can forecast the likelihood of absenteeism, accidents, and other workplace maladjustments for individuals.

Employers should exercise caution, however, in selecting a testing company to supply psychological tests. Exams that do not meet rigorous professional standards of reliability and validity can open the door to lawsuits against the company using them and the test publisher. A set of standards can be obtained from individual test publishers or from the Association of Personnel Test Publishers, 655 15th St., N.W., Suite 320, Washington, D.C. 20005; (202) 639-4314. The publication, *Using Integrity Tests To Screen Job Applicants,* is free.

Several dozen job applicants have com-

plained formally to state or federal agencies over the past few years that the tests led to discrimination against them or invaded their privacy. One state—Massachusetts—prohibits written honesty tests on such grounds. Rhode Island requires that such an exam cannot be the primary basis for a company's employment decision about an applicant.

Janice Hearty, a spokeswoman for the federal Equal Employment Opportunity Commission, says that the agency hasn't issued its own rule about the tests and says they constitute "a bit of a gray area. But if these tests are given to everyone who applies, they usually can't be considered a basis for discrimination."

Some security experts discount the usefulness of psychological tests. "They don't show whether a person is going to steal or not," says Petersburg, Va., security consultant James H. Ryan.

Hollinger, of the University of Florida, says that employers shouldn't rely exclusively on such tests. "They make the assumption that there are good people and bad people, but drawing the line between them becomes difficult," he says.

The Use Of Stealth

William H. Urban, of Loss Prevention Consultants Inc., in Minneapolis, says his investigations have shown that even a highly trusted employee can be a thief. For that reason, he urges employers who suspect dishonesty to document all unusual activity and not to ask other workers questions that suggest suspicion.

One effective investigatory weapon that security consultants use for retailers is "mystery shopping." In this tactic, the consultant sends in teams of two "shoppers" each over a given period; in each team, the two people pay for their purchases consecutively. If, as an employer suspects, a clerk is not actually ringing up sales but is pretending to do so and then keeping proceeds for himself, this may eventually be disclosed by examining the sequence of the mystery shoppers' receipts for each visit.

A powerful tool in combatting employee theft is closed-circuit television, which can supplement computerized transaction records or can be moved around a workplace.

Many retailers also use devices that, if not detached from merchandise by a sales clerk, set off an alarm as they are taken out of the store or cause damage to goods when removed outside the store.

Modern point-of-sale systems, the successors to cash registers, can be highly effective weapons against employee theft. Managers can use them to track overages and shortages, voided sales (a favorite way for thieves to get cash), cash refunds, and the frequency of a particular employee's undercharges for friends.

One mistake that small companies can make easily is neglecting to learn the best uses of complex systems or failing to make the fullest use of their built-in auditing and tracking systems. That

leaves doors open to thieves, says Bill Olsen, manager with Arthur Andersen's fraud and security group in Chicago.

Treatment Of Employees

Among the most effective steps against employee theft, some experts say, is encouraging a positive attitude toward the company. According to the third annual survey by the Food Marketing Institute and London House, done last year, employees were more likely to steal if they felt the company was unfair to employees, and they were especially likely to steal if they felt they themselves were being treated unfairly.

The recent National Retail Federation study also found a correlation between low levels of employee theft and desirable workplace characteristics such as low management turnover and a high percentage of full-time jobs. For instance, shrinkage among surveyed companies was highest in those that offered no profit sharing (the value of goods that disappeared equaled 2.16 percent of sales), lower at those offering profit sharing to full-time employees (1.75 percent), and lowest (1.62 percent) at the 70 firms in the sample that offered the benefit to both part-time and full-time workers.

Protecting Yourself

Dishonesty insurance, usually part of a standard business-insurance package, protects against losses from employee theft. Before issuing such coverage, an insurer typically checks the firm's hiring procedures and theft-prevention efforts.

In addition, an employer can buy fidelity bonds to cover, say, all employees, or certain positions such as bookkeeper or treasurer, or specifically named employees.

Prosecuting Offenders

Some experts maintain that one of the most effective deterrents to employee theft is coming down hard on those caught stealing. "It costs money, and it takes time to prosecute," says Professor Snyder. "The result is that most thieves who are caught go unpunished, the problem goes unsolved, consumers pay higher prices than are necessary, and businesses suffer serious morale problems."

"Civil restitution" is an increasingly popular approach to recouping losses. More and more states are legalizing this approach, under which the company and the thief work out an arrangement for reimbursement.

Many companies are too lenient with workers who steal. Managers either assume they won't be able to make criminal charges stick or won't win a civil case, or they forgo such options because of the difficulties involved. So they simply remove the worker from the payroll.

Such leniency can be a big mistake, experts warn. Tracy Johnson, president of Personnel Evaluations Inc., in Milwaukee, says: "The downside is, here's a person who has just stolen maybe thousands of dollars from you, and you're going to forgo getting any of that back?

"And what about the example that sets for the 10 other employees who are doing the same thing?"

Aggressive prosecution also can send a strong warning to anyone else in the company who is stealing or may be conspiring with others to do so. "More and more, it's not just one person but a team of people participating in undermining a company," says William G. Harris, vice president of research for Pinkerton.

"It's a matter of executing," says Ryan, the Virginia consultant. "You have to have a determination to reduce theft." NB

Small-Business Computing

A way to make your checks in-house; integrating functions in one program; a sleuth for hardware problems.

By Albert G. Holzinger

PRINTERS

Writing Checks With Your PC

All the accounting software we've tested allows users to record payments and print corresponding accounts-payable, payroll, and other checks in one or two simple steps. Business people who use these convenient programs in lieu of traditional hand-written ledgers and checkbooks can save a lot of time and increase their accuracy.

Nonetheless, automated check writing is not cost-free or worry-free. Most of the difficulty stems from the odd-looking numbers at the bottom of every check. These mandatory numbers, printed with magnetizable ink on presses or printers costing $10,000 or more, allow machines at banks to identify the accounts that checks are drawn on at the rate of about 40 per second.

Until now, mainstream businesses that wished to computerize payments had no option except to buy checks that are preprinted except for the payee, payment amount, and authorized signature. These checks, available from banks and specialty printers cost up to $1 each in small quantities. They are more economical in larger quantities, but bulk purchasing raises storage and security concerns.

From Hewlett-Packard (HP) and an increasing number of software vendors comes a solution: so-called **magnetic ink character recognition (MICR) toner cartridges** for HP's best-selling series II and III laser printers and software containing the typefaces required by banks.

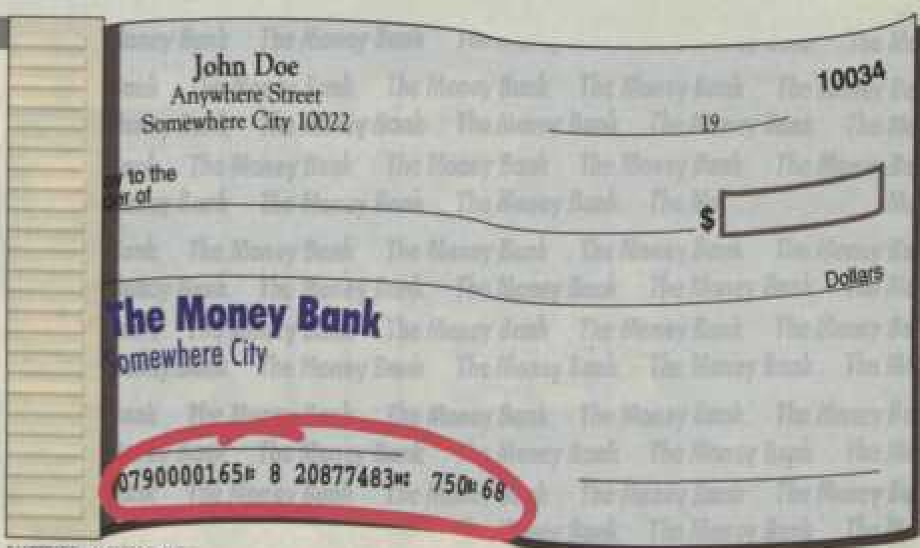

ILLUSTRATION: ALBERTO PACHECO

To print checks—*complete with the mandatory numbers in magnetizable ink at the bottom left—use an MICR toner cartridge with the check-making software.*

Now, an authorized person at your company can substitute HP's $169 MICR toner cartridge for the conventional one in your printer, put inexpensive blank-check stock in the paper tray, and begin issuing checks utilizing software from Acuprint, Westcorp Software, Bottomline Technologies, and several other vendors. Much of this software is compatible with the more popular accounting packages, which means very little learning should be required. Upon completion of check writing, the MICR cartridge can be removed and locked up to guard against unauthorized use.

Additional information about MICR technology is available from HP at 1-800-752-0900.

For a list via fax of HP dealers in your area who stock MICR cartridges and for a list of related-software dealers, call (208) 344-4809. ■

INTEGRATED SOFTWARE

The Works For Portable Computers

Software that integrates word-processing, spreadsheet, accounting, and communications functions in a single program has been available from several vendors for many years. Early versions were too anemic for business use, however, and more functional releases that came out later ran really well only on PCs with powerful processors, large hard drives, ample RAM, and color monitors.

Newly released **version 3.0 of Microsoft Works for DOS** is the first easy-to-use, feature-rich integrated software that will run efficiently on even the oldest IBM-compatible PCs.

The word-processing component of Works contains such high-end features as a 120,000-word dictionary and a 190,000-synonym thesaurus, a word-count indicator, and a footnote creator. The spreadsheet provides up to 16,300 rows and more than 75 built-in functions, including columns that adjust automatically to provide the best fit for data.

The database can juggle more than 30,000 records, and it generates nifty reports, as well.

Bonus features include a hearty communications program for PCs that have a modem, a terrific appointments calendar, complete help files, an online tutorial, and Microsoft's trademark Wizards to guide you step-by-step through common functions.

The program sports a friendly face that draws heavily on Microsoft's popular Windows technology.

Works will run just fine on virtually any PC, even one that does not have a color display or a hard-disk drive, making the program a natural for laptop and notebook computers. Our evaluation copy of Works is now the only application software on our laptop except for the specialized word-processing program required to produce this magazine and, of course, for several games.

The list price of Works for DOS is $149 at most software retail stores. ■

TRAVELERS' AIDS

Local Expert, Maybe More

If you travel much and generally lug with you one of Apple Computer's popular PowerBook laptops or a PC hearty enough to run Windows programs, **Local Expert** is a program worth considering.

With this program and the appropriate city module, you will be able to find business appointments, hotels, restaurants, health clubs, business-service centers, and more than 100 other categories of travel-oriented information in a matter of seconds.

The maps are terrific, which is not surprising, because Local Expert's publisher, Strategic Mapping, has been a leader in that software category for years. The information should be reliable: It comes from a source widely used by travel agencies.

Local Expert *is a program of maps and data for discovering what's where and how to get there.*

Both the Mac and Windows versions cost $99. This core program contains regional maps of the world, including major highways, a number of useful utility features, and maps and data for metropolitan Washington, D.C.

Modules for the downtowns and business districts of 100 other cities worldwide are available at $25 each, but discounts are available for quantity purchases. Information updates for cities you have purchased previously are $15 each. City and update information is available via modem for last-minute travel.

At first, Local Expert may seem like a toy. But the first time you're running late for an important appointment in an unfamiliar city and need directions, this program could be a deal saver.

Strategic Mapping can be reached at 1-800-442-8887.

UTILITIES

An Improved Screwdriver

We've given generally high marks over the years to several ever-improving versions of Dariana Corp.'s PC diagnostic and testing software programs, System Sleuth Professional for DOS and WinSleuth for Windows. A new, combined release, **WinSleuth Gold**, is clearly the best and easiest to use so far.

This version, which will consume about 2 MB of space on your hard disk, makes it relatively easy to identify hardware problems (especially those arising from conflicting devices), fine-tune the notoriously finicky Windows operating system, and gather the information you will need to add products such as modems and fax boards to your PC.

No software of this type is 100 percent accurate in its reporting, but these Sleuths haven't lied to us yet. And the simple, clean interface belies the completeness of their technical reports. As a bonus, Dariana has included antivirus utilities from TrendMicro Devices Inc.

WinSleuth Gold *identifies hardware problems and fine-tunes finicky systems.*

This software is a great tool for the Windows power-user and the technically inclined. List price is $169 from most software mail-order companies and retailers.

Gain Space That Your Hard Disk Cannot See

If you like to buy the latest and greatest software, especially programs written to take full advantage of the powerful OS/2 and Windows operating systems, sooner on later you're going to fill your hard disk.

At that point, you will have to decide whether you want to erase some programs, buy and install a larger disk, or utilize file-compression software. **Stacker 3.0** ($149 from Stac Electronics, 1-800-522-7822 or 619-431-7474) makes the last option appealing.

Stacker effectively doubles the size of your hard drive by rapidly compressing files when you store them and restoring them when you recall them.

We've used earlier versions of Stacker for several years and have yet to corrupt a file. (Don't let that deter you from doing regular backups, though.) Unlike earlier versions, the new one is foolproof to install—or remove, if you wish. It features first-rate tools for monitoring program performance as well as for determining the exact amount of unused space remaining on your hard drive. Moreover, version 3.0 allows you to compress floppy disks, which then can be used even on PCs that don't have Stacker installed.

Envelopes On Demand

Among the most frustrating computer jobs is printing envelopes. For some reason, no matter what word-processing package you use or how many times you fool with the settings, envelopes seldom seem to print correctly and consistently.

An inexpensive little program called **ERMASOFT Laser Envelopes** ($59.95 from E.R.M. Associates, 1-800-288-3762) can save you aggravation, not to mention costly envelopes. This little utility is easy to set up and use, and it makes addresses and bar codes appear exactly where you want them. The program even does large mail merges from most word-processing and database programs. It will work on almost any PC and is compatible with Hewlett-Packard laser or ink-jet printers, close compatibles, and many PostScript language printers. NB

INPUT DEVICES

Nice Mice

When Honeywell asks you to take a look at its "opto-mechanical cursor control device with patented x-y axially inclined transducer technology," your first inclination likely will be to seek the nearest exit.

Don't. This is the dandiest little mouse we've seen in a long time. It looks pretty much like any other three-button rodent, but there's no ball in the bottom; instead it sports two little "feet." The feet detect position as you move it over any surface.

It's easy to install, it tracks perfectly (no jerkiness), and according to Honeywell, it never needs cleaning. List price is $79 at computer retailers.

—Ripley Hotch

We've installed a new power line.

The 1994 Full-Size Dodge Ram Van. We're not just talking about a serious work truck here. We're talking a whole *line* of work trucks that's like nothing else on the road or on the job.

Ram Van 109.6" wheelbase

Ram Van 127.6" wheelbase

Ram Maxivan 127.6" wheelbase

Ram Van starts off with more standard horsepower than vans from Ford, Chevy *or* GMC. And our available 360 cubic inch, 5.9 liter Magnum V-8 outpowers their comparable V-8s with an impressive 230 horsepower and 325 lbs-ft of torque.

But Magnum power is just the beginning. With up to 304.5 cubic feet of cargo capacity, you get more maximum interior

cargo length and volume than Ford Econoline. You also get up-to-the-minute styling. And improved ride and steering response across the board. Anti-lock rear brakes are standard, too, or you can choose four-wheel ABS.

Ram Van has the added advantage of the lowest load height of any full-size van on the market. And our standard Owner's Choice Protection Plan is a warranty choice no other manufacturer offers: 7-year/70,000-mile powertrain protection or 3-year/36,000-mile bumper-to-bumper coverage.†

Dodge Ram Van. This is one power line you'll want to get your hands on. Call 1-800-WORK RAM for a brochure and commercial buyer incentive information.

Ram Van **The New Dodge**

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†See limited warranties, restrictions & details at your dealer. Excludes normal maintenance, adjustments & wear items. Buckle up for safety.

BENEFITS

Health Reform Takes Shape

Managed competition may be the last chance for the free market to prove that it can deliver real reform.

By Roger Thompson

The Antelope Valley Mosquito Abatement District in remote Southern California may seem like an unlikely place to find managed competition—the hottest idea in health-care reform—already at work.

That's precisely why Alain Enthoven, a Stanford University economist and the idea's chief architect, spikes his frequent speeches with the Antelope Valley example. It silences critics who say that managed competition is untried. And it underscores one of Enthoven's key selling points: If managed competition can work for a two-person public agency, it can work for American small businesses. Here's how it works for Antelope Valley.

The agency's two employees buy their health insurance from a state-run co-op that serves 875,000 employees, retirees, and dependents covered by the California Public Employees' Retirement System. CALPERS, as it is called, offers 28 health plans statewide, eight of which are available to Antelope Valley, near Edwards Air Force Base.

Each Antelope Valley employee picks a different health plan and pays the same rates as employees with giant state agencies. Employees may change plans each year during "open season," and they may not be barred from a new plan by any pre-existing health condition.

Because CALPERS requires its health plans to offer nearly identical benefit packages, members can easily compare plans on the basis of cost and perceived quality.

Moreover, CALPERS uses its market clout to restrain soaring premiums. While most U.S. employers can expect a sixth year of double-digit health-premium increases this year, CALPERS has negotiated average premium increases of 1.5 percent when new rates take effect Aug. 1.

But CALPERS is far more than just a high-volume buyer demanding a discount. In fact, discounts aren't the goal at all. Its true mission is to cut costs by changing the ways that doctors and hospitals practice medicine. This is the essence of managed competition. It accomplishes this goal by restructuring the way health insurance is purchased and delivered.

Purchasing changes because small companies and individuals, who represent more than half of the health-insurance market, band together in regional cooperatives and use their collective strength to get the same treatment as large employers. Managed competition creates a level playing field for all health-insurance buyers.

Delivery changes because doctors, hospitals, and insurers are forced to compete for the co-op's business. For the first time, providers of care will have financial incentives to restrain costs and improve quality.

For small companies, national health-care reform built on managed competition would rewrite all the rules governing the purchase of health insurance. And by changing the way medicine is practiced, managed competition can do for all small companies what CALPERS has done for Antelope Valley—but even better, says Enthoven, whose views are highly regarded by policy-makers inside the Clinton administration and on Capitol Hill. CALPERS lacks much of the regulatory firepower Enthoven envisions under a national managed-competition plan. For example, it can't limit the tax-free status of health benefits as a way to channel people into lower-cost plans.

As a model for national health-care reform, managed competition experienced a meteoric rise in public visibility beginning last September, when then-candidate Bill Clinton first embraced the idea during the presidential campaign. President Clinton is expected to make managed competition the centerpiece of his national health-care reform plan, which he has promised to announce by May 1.

The idea got another powerful boost last fall from the Conservative Democratic Forum (CDF), composed of 60 House Democrats, when it introduced a health-care reform bill based on managed competition. This group of conservative Democrats forms a pivotal bloc vote in the health-reform debate on Capitol Hill, and it could determine the fate of the administration's plan. While the CDF bill went nowhere last year, the idea of managed competition has proven to have real staying power. "The debate over health care reform is over," declared a *New York Times* editorial last October. "Managed competition has won."

Well, not quite. In early March, 58 liberal Democrats from the House and Senate introduced a bill to establish a government-financed national health-care system. The bill would provide care for all Americans and be financed by a 7.9 percent payroll tax increase on employers, a 6.45 percent increase in corporate income taxes for businesses with more than $75,000 in profit, and increases in personal income taxes.

The bill would limit the annual percentage growth in national health expenditures to the growth of gross domestic product.

The liberal Democrats' bill is expected to pose a significant

PHOTO: GLENDA SUE SCOTT

Alain Enthoven *is managed competition's best salesman.*

challenge to the administration's market-based reform bill. And the shape of the administration's own plan is far from certain.

Since Clinton endorsed managed competition, many business, insurance, doctor, and hospital groups with a major stake in health-care reform have come out in favor of the *concept*. Among them are the U.S. Chamber of Commerce, which opposes a government-run health system, and the American Medical Association. Many leading politicians from both parties also favor the idea. But each individual or group reshapes managed competition to fit constituents' needs. The debate now is over whose version of managed competition will emerge triumphant. (See the box on Page 48.)

Clinton, for example, has said repeatedly that health expenditures cannot be brought under control quickly without some kind of cap on overall spending—known as a global budget. Without a spending cap, he argues, the nation can't afford to extend coverage to 36 million uninsured Americans.

Conservative Democrats, *led by Rep. Jim Cooper, have their own managed-competition bill.*

Almost no one who supports managed competition favors the spending cap idea. Enthoven reflects the consensus view: "Top-down price controls are ineffective; they just don't work."

Despite its sudden rise to prominence, managed competition is not a new idea. Enthoven has been refining the concept for 10 years with a small group of health-care reformers who meet regularly at a group member's home in Jackson Hole, Wyo. Hence, managed competition often is referred to as a product of the Jackson Hole Group.

As the debate over the shape of managed competition grows, Enthoven and the Jackson Hole Group continue to espouse what has become known as "pure" managed competition—the reference point others use to craft their own versions.

Managed competition, Jackson Hole style, would have its biggest impact on small business, the self-employed, and individuals who buy their own insurance. These are the groups that have the toughest time finding, affording, and keeping health insurance. Here's how the Jackson Hole plan would work:

■ Under the Jackson Hole plan, all employers would be required to provide health insurance to their full-time employees. The mandate is one of the more controversial aspects of the plan. The Conservative Democratic Forum bill, which will be revised and reintroduced later this year, rejected a mandate, favoring voluntary purchase of health benefits. Rep. Jim Cooper, D-Tenn., who drafted the CDF bill, explains: "My approach is to improve the system and see how many people will voluntarily participate rather than to coerce membership in a rotten system."

President Clinton has said he favors an employer mandate, but he would phase it in for small business and offer tax breaks to those who can't afford the price.

■ Small employers—those with fewer than 100 workers—would have powerful incentives to buy their insurance from nonprofit, regional Health Insurance Purchasing Cooperatives. HIPCs (pronounced "hippies") would create large pools of workers and dependents and use their leverage to negotiate the best deals on price and quality of care. CALPERS acts as a HIPC for California public employees and retirees.

Large companies could continue to self-insure or to purchase health plans from insurance companies, the Blue Cross and Blue Shield plans, or health-maintenance organizations (HMOs).

Both the CDF bill and President Clinton favor creation of purchasing co-ops. However, the CDF bill would require all employers with fewer than 1,000 workers to purchase health plans from HIPCs, and it would give states authority to move the ceiling up to 10,000 employees.

■ HIPCs would offer several health-plan options, each with the same basic benefit package covering doctor visits, hospitalization, prescription drugs, and other services, such as treatment for substance abuse. Details would be worked out by a National Health Board.

■ HIPCs would negotiate with health plans to hold down rates and keep a tight control over which insurance plans could be sold to their members. Only those meeting strict federal underwriting and quality standards would be acceptable. Those meeting the standards would be known as Accountable Health Plans.

To win certification, plans would have to accept all groups and individuals regardless of pre-existing conditions, guarantee renewal of policies, and charge rates based on the pool average rather than individual health conditions—a pricing system known as community rating.

Accountable Health Plans also would be required to produce "report cards" grading the quality of their medical treatment and patient satisfaction. Research has shown a strong link between patient satisfaction and quality care. And contrary to popular belief, research also has demonstrated that lower costs often mean higher-quality care—usually because it costs less to do the job right the first time.

Health-plan "report cards" would make it possible for consumers to make informed choices about the quality of the health plans they pick.

Large employers also would be required to offer basic health plans to their workers. These plans would conform to the same underwriting and quality reporting standards as Accountable Health Plans sold through HIPCs.

The idea of accountable health plans offering a basic benefit package has been embraced by the CDF bill and President Clinton.

■ If purchasing co-ops, basic health plans, and underwriting reforms are the carrots under managed competition, federal tax law changes are the stick. Under the Jackson Hole Plan, limits on tax-free benefits are essential to changing the way medicine is practiced.

Under current law, employers' payments for health benefits are an unlimited tax-deductible business expense and are tax-free to workers. Under the Jackson Hole plan, the employer deduction would be limited to the cost of the least expensive health plan offered by the local HIPC. Employees would be free to choose a more

expensive plan, but they would pay the difference out of their own pockets with after-tax dollars. Health benefits would no longer be a tax-free employee benefit.

The self-employed and individuals who purchase their own insurance would get the same tax break as employers. Large companies and their employees would play by the same rules.

"Managed competition is not forcing everyone into large, clinic-style HMOs."
—Alain Enthoven

While the CDF bill favored a cap on the amount of health-care premiums that could be deducted, it would require employers, not employees, to absorb the higher taxes. President Clinton didn't mention a tax cap during the campaign. It still is unclear whether he would embrace the idea, largely because it would represent a tax increase on middle-income workers.

The public's view on taxing benefits may play a key role in shaping the administration's policy. A Gallup Poll taken in February showed that 56 percent of working Americans favored taxing individuals on some portion of their health benefits. A similar poll in September 1989 produced only a 9 percent favorable response rate.

■ The tax code also would be used to ensure HIPCs near monopoly power over health benefits for small companies. Under the Jackson Hole plan, small employers or individuals who purchase health benefits outside the HIPC would receive no tax deduction. Enthoven calls this penalty the "glue" that holds HIPCs together.

Without this penalty, Enthoven argues, healthy, low-risk groups could look for cheaper rates elsewhere. Shopping for a better deal outside the HIPC would undermine the co-op's ability to pool all risks at the lowest costs. Over time, only the worst risks would be left in the HIPC, driving up rates for those who remain.

The CDF bill also would deny tax deductibility for any health package that is not purchased from a federally certified Accountable Health Plan. Clinton hasn't addressed this issue.

In sum, says Enthoven, "the reforms we are proposing are nearly a 180-degree reversal in financial incentives for consumers and providers [doctors and hospitals], and they offer the most powerful medicine available for reducing costs."

Clearly, managed competition Jackson Hole style would drastically alter the health-insurance landscape. For the first time, Congress would pre-empt the states' traditional role as health-insurance regulators in the small-group marketplace. And the hodgepodge of insurance sources that small companies have grown to rely upon would suddenly disappear.

Most small insurance companies would see their source of business dry up. Insurance agents and brokers would no longer offer health plans to small companies or individuals. Trade associations and business groups would no longer be able to sell health insurance to their members. The same goes for employee leasing companies.

For small employers, managed competition would mean that they no longer would control what health plans are available to their employees. Each employee could pick from the range of plans offered by the HIPC.

For employees, the major concern frequently voiced about managed competition is the fear that it will force everyone into HMO-style clinics. After all, the most efficient health plans today are HMOs that cover all services for a flat annual fee, rather than allowing doctors and hospitals to charge for each service. But Enthoven says that fear is unfounded.

"Managed competition is not forcing everyone into large, clinic-style HMOs or other types of care they don't like," Enthoven explains. "On the contrary, managed competition emphasizes the importance of individual [not employer] choice of plan. There are many systems and styles that would be able to compete effectively."

While it's too early to tell what the Clinton administration's final version of managed competition will look like, it's already clear which issues will touch off major battles. Federally imposed spending limits and a benefits tax cap top the list.

Whatever course President Clinton and Congress take, no one doubts that something drastic needs to be done. Health-care expenditures nationwide are projected to reach $940 billion this year, and they are forecast to rise 12 to 15 percent annually for the next five years.

"Today in America we are spending nearly 14 percent of GDP [gross domestic product] on health-care services," says Enthoven. "It is altogether possible that a very efficient competitive system could get us back to 9 or 10 percent." NB

To order reprints of this article, see Page 80.

Weighing In On Managed Competition

Here's what several key players in the health-reform debate are saying about the Jackson Hole Group's managed-competition plan:

The U.S. Chamber of Commerce's board of directors has endorsed managed competition, but with several important caveats. The board opposes a mandate for employers to purchase health plans without adequate subsidies for low-wage workers and their employers. It says any tax on health-insurance premiums should be paid by employees, not their employers. The Chamber also opposes government price controls to contain costs because it believes that the free market can do a better job of restraining prices.

The Health Insurance Association of America (HIAA) regards managed competition as a major threat to the survival of its members. HIAA is a Washington-based trade association representing roughly 250 commercial health insurers. To preserve a role for small insurance companies, HIAA favors making participation in Health Care Purchasing Cooperatives (HIPCs) voluntary rather than mandatory for small companies and individuals.

The Association of Health Insurance Agents, an affiliate of the National Association of Life Underwriters, also favors making participation in HIPCs voluntary. Otherwise, its 142,000 agents will be shut out of the health-insurance market.

The Coalition to Preserve Health Benefits, representing powerful labor and business groups such as the AFL-CIO, the Employers Council on Flexible Compensation, and the Self-Insurance Institute of America, recently formed to oppose any cap on tax-free health benefits. Taxing health benefits, the coalition argues, is a direct hit on the middle class.

The American Medical Association, representing nearly 300,000 doctors, has endorsed managed competition but fears it could force doctors into salaried positions in HMO-style groups. The AMA advocates an employer mandate to provide health benefits to all workers. It would accept overall health spending limits but not regulation of doctors' fees.

Consumers Union, publisher of *Consumer Reports*, supports a Canadian-style, government-financed and -administered approach to health-care reform.

The Franchise Search

Four major steps to franchise ownership are information gathering, research and analysis, self-evaluation, and decision making.

By Meg Whittemore

"I thought owning a franchise was a terrible idea," says Debbie Spear, who, with her husband, Steve, bought a Rent-A-Wreck used-car rental franchise in Binghamton, N. Y., in 1991. "I didn't want the responsibility of owning my own business."

At the time, Debbie held a full-time job with a local insurance agency, and she says she "liked getting a steady paycheck every week and knowing where my next source of income was coming from." Steve, who owned a used-car lot for 13 years, thought a car-rental business would complement his successful car-sales and service business.

Steve met with the area representative for Rent-A-Wreck in January 1991 and returned home having bought the franchise, Debbie recounts. "I said, what are you—crazy?"

The story has a happy ending: The franchise has grown from five rental cars to more than 25, and Debbie has won awards from the corporate office for her customer service and high sales level. Debbie does not disclose her 1992 revenues, but she says she expects to double her gross revenues this year.

The Spears' entry into franchising was risky and not the recommended way of buying a franchise. Franchise advisers urge would-be franchisees to be cautious and take their time before making the purchase.

Statistics on franchising released by Rubert Barkoff, chairman of the American Bar Association's committee on franchising, underscore the importance of proceeding carefully. According to Barkoff, one-third of all franchisees in a typical chain do well, one-third break even, and the rest lose money.

Ann Dugan, assistant director of the Small Business Development Center at the University of Pittsburgh, conducts seminars for entrepreneurs who are thinking about franchise ownership. "People come into my seminars on emotional highs over the thought of owning their own business," says Dugan. "What I try to do is hose them down and cool them off."

Dugan says that "becoming a franchisee can be the safest way to scratch the entrepreneurial itch," but following a proven *process* of decision making can often mean the difference between success and failure as a franchisee. Dugan subscribes to a four-point approach to becoming a franchisee, which includes information gathering, research and analysis, self-evaluation, and decision making.

After tracking *the sports-memorabilia market, Californians Steve and Andre Enos bought a Pro Image franchise; son Steve is assistant manager of their Salinas store.*

Information Gathering

Most people who are considering buying a franchise don't want to spend the time getting the information needed for them to make an informed decision, experts have observed. "The idea of being 'your own boss' is heady stuff for most people," says Dugan, "and the last thing anyone wants to do is return to reality and start getting the facts about the business."

Andre and Steve Enos spent years gathering market information before buying their first Pro Image franchise in Visalia, Calif., in 1986; they opened it the following year.

Pro Image sells licensed apparel goods

from the professional and college athletic teams. The goods include caps, jerseys, and warm-up jackets made exactly like the ones worn by pro athletes. The stores also carry an assortment of mugs, pennants, key chains, belt buckles, and trading cards—all authentic replicas of the pro and college sports leagues.

"Our young son always wanted sports-related items, and there were no sports-fans stores at that time," says Andre, "so we thought that concept would really take off."

PHOTO: MICHAEL GREENLAR

Wary of the risks *at first, Rent-A-Wreck franchisee Debbie Spear is now enthusiastic about her growing business.*

Throughout the mid-1980s, the Enoses tracked the consumer interest in sports-related clothing and memorabilia while combing the classified sections of newspapers and business magazines for business opportunities. "One evening I looked in the paper and saw an ad for a sports-store franchise in our territory," says Andre. "We were the first to call the next morning and got priority on our territory."

Andre continues: "One thing we wanted to know was exactly what kind of support and training the franchisor was going to give us. Were they going to sell us the franchise and then walk away? We learned from other franchisees that Pro Image sticks with you all the way."

Finding out if there is a continuing market for the franchised product or service is a critical step in the search process, says Dugan. "Take a look at the competition in the community you will be in, where the industry is going overall,

and the sales potential of the product or service in your market," she says. The franchisor should provide potential franchisees with much of this information, she adds.

Franchisees aren't the only ones who do their research before signing a contract. Increasingly, franchisors are taking the time to investigate the potential franchisee through confidential questionnaires and personal interviews.

"It's a lot like hiring an employee," says John Harrison, director of franchise sales for Amerispec Home Inspection Service, based in Orange, Calif. Amerispec franchisees inspect residential electrical, plumbing, roofing, and heating systems; the services typically are performed before a house is sold.

Amerispec is a popular franchise—Harrison says it receives 5,200 inquiries from prospective buyers annually. A packet of information containing a confidential questionnaire is sent out initially to each prospect.

"Based on the answers on the questionnaire, we call back and conduct a telephone interview," says Harrison. "If we think there is a potential match, we invite them to a daylong meeting—at our expense—to further introduce them to the franchise."

About 200 of the initial 5,200 prospects make the cut and attend Amerispec's meetings. In the end, under 50 prospects are awarded franchises. "We want our franchisees to succeed, and our screening process goes a long way towards meeting that goal," says Harrison.

Research And Analysis

For Larry Gambino, a Priority Management Systems franchisee in Garrison, N.Y., researching a franchise meant experiencing the product first. As a director of marketing for a major supermarket chain, Gambino was traveling 70,000 miles a year and often working until 11 at night. "Eight years ago, they carried me out on a stretcher one day," he says. "I thought I was having a heart attack, but the doctors told me I was totally burned out and had to change my lifestyle."

That meant learning new ways of managing his workload. Gambino took a management training course offered by Priority Management Systems and found himself successfully implementing new management techniques in his office. "I discovered that the program really worked," he says.

Six months later, Gambino quit his corporate job and bought a Priority Management Systems franchise. "Our generation was taught to climb the corporate ladder," he says, "but one day you

PHOTO: ALAN ZOROW

Burned out *by corporate stresses, Larry Gambino opened a Priority Management Systems franchise in Garrison, N.Y.*

wake up and realize the ladder is against the wrong wall."

Before he bought his franchise, Gambino thoroughly researched the company, its founder, and its franchisees. "I called 30 franchisees and concentrated on the ones who were struggling," he says. "You find out a lot about the franchisor's support and long-term commitment that way."

> "Look at the skills you currently have, and think of ways to use them in your new business."
> —Franchisee Debbie Spear

Gambino also hired an attorney to look into some litigation against the franchisor that showed up in the disclosure documents. "We found nothing substantive there, and the matter has since been resolved," he says. Gambino also hired an accountant—one who was experienced in small-business start-ups and could advise him on budgets, what to expect the first year, and general help with running a business. "It was an added expense but one that really helped me in that critical first year of operation," says Gambino.

Getting to know the franchisor is another important part of analyzing your entry into franchising.

"We were in touch with the corporate office a lot and met with the president," says Pro Image's Andre Enos, "and his attitude was one of concern for the success of each store. That probably sealed the deal for us."

Gambino met with the Priority Management Systems president. "I was impressed with his values and ethics—both personal and professional," he says.

Dugan suggests going beyond the personal meeting with the franchisor and getting answers to the following questions:

- Does the franchisor have solid financial backing?
- Is the franchisor a subsidiary of another company? If so, what are that company's assets?
- What is the parent company, and does it have experience in franchising?
- Can you examine any of the franchisor's recently audited financial statements?
- How long has the franchisor been in business, and how long have franchises been sold?
- What business experience do the franchisor's directors and officers have?
- Have any of the franchisor's partners or company members ever been bankrupt?
- What are the franchisor's policies concerning quality control, inventory control, volume-purchasing discounts, personnel recruitment, training programs before and after the franchise purchase, and marketing and advertising programs?

"It is so important for the individual considering the purchase of a franchise to walk through the hype and high-profile success stories with a clear head," says Dugan. "Ask the questions, and make sure you get answers from the franchisor."

Self-Evaluation

Even though Debbie Spear believed that she was not ready to run a franchise, her husband, Steve, thought otherwise. "Steve had the confidence in me to get the business open and off the ground," she says, "and now I don't know what I would do if I weren't here. I actually love it."

Her advice to those people thinking about owning a franchise is to "try to use your past work experience as a stepping-off point."

The Spears save on operational expenses by buying the rental cars through

Steve's used-car business and using his full-time maintenance crew to keep the rental cars serviced. "Look at the skills you currently have, and think of ways to use them in your new business," says Debbie.

Andre Enos agrees. She was reared in a retailing family, and her husband, Steve, had owned an automobile dealership for 21 years before joining her at Pro Image. "We came into our franchise with a strong retailing background," she says, "and that has helped us tremendously."

Gambino says that "you've got to do something you really enjoy." His Priority Management Systems classes involve training business managers in how to become more organized and productive. "I wasn't about to go out and buy a burger franchise when my experience was in corporate management and marketing," he says.

After leaving the corporate world, Gambino says, he discovered that although he knew a great deal about business, he knew very little about running one. "I see displaced corporate managers in my training classes, and they are eager to grab onto something," he says, and often what they decide upon is a franchise.

"I learned that when you own a business, you have to do *everything*—accounting, marketing, sales, hiring, firing, filing, and motivating yourself and your staff," he says. "Corporate types are too often unprepared for those realities."

PHOTO: ©TERRY PARKE

Success won't happen *if you just sit back, says Sub Station II franchisor Don Ruffalo.*

Don Ruffalo, founder of Sub Station II, based in Sumter, S.C., says he encourages his franchisees to consider their commitment to hard work. Sub Station II sells submarine sandwiches, and most franchises are in the Southeastern U.S. near military bases.

Franchisees often think that if they buy a franchise, they will make a lot of money, says Ruffalo. "If you adhere to the franchise system and work at it, it's the greatest thing in the world," he says, "but if you sit back, it just won't happen."

Franchising does have its disadvantages. For those who like to be independent, the requirement to follow a standardized operation in a business may be too restrictive, says Dugan. "Entrepreneurs who want to 'be their own boss' are usually disappointed with a franchise," she says.

Decision Making

The moment of deciding to buy a franchise comes only after finishing your so-called due diligence. If you arrive at this step and you find that the business "just isn't right for you even if all the

numbers add up, then stop right there," says Dugan. Usually, that's a signal that you have overlooked a critical piece of research about the business, she explains.

Franchisees who investigate several franchises in a thorough fashion typically are better prepared to make an informed decision, says Dugan.

In each case, ask yourself certain questions:

- Will the franchise be reasonably profitable? Checking with other franchisees should provide an overview of the systemwide profitability.
- Do you have sufficient funds to invest in the business?
- Do you enjoy the business?
- Is this the right business format for your personal style?

Dugan also suggests that you enroll in at least one seminar on small-business management and running a franchise. There is no substitute for research and due diligence when considering a franchise purchase, she says.

"There does not exist any guaranteed success but rather success that is obtained through good hard work," says Dugan, "and a part of this good hard work is done at the beginning—before you sign on the dotted line." NB

To order reprints of this article, see Page 80.

Resources On Franchising

Information to help you in your research efforts on franchise opportunities is available from a variety of sources. Seminars on franchising are often scheduled through Small Business Development Centers (SBDCs), located at larger universities and colleges. Course fees average $25 per person.

Franchisee representation got a boost earlier this year with the formation of the American Franchisee Association (AFA), an organization aimed at improving the investment climate for potential as well as existing franchisees. The AFA represents franchisees at the state and federal levels. Services include accreditation of franchise offerings and a quarterly newsletter. For more information, call 1-800-334-4232.

Books And Directories

To locate lists of franchises, try *The 1993 Franchise Annual* (Info Press, Inc.), a directory of 4,800 franchise companies worldwide. It is $39.95 (including shipping) from Info Franchise News, 728 Center St., Box 550, Lewiston, N.Y. 14092-0550; (716) 754-4669.

Another useful directory is the *Franchise Opportunities Guide*, published by the International Franchise Association (IFA), a franchisor trade group in Washington, D.C. The publication (stock No. 302) costs $15. Contact IFA Publications, P.O. Box 1060, Evans City, Pa. 16033; 1-800-543-1038.

Other IFA books include *Franchises: Dollars & Sense*, by Warren Lewis, which offers help in evaluating franchise earnings information based on sales and profit data from 145 franchise systems. The book costs $49.95; ask for stock No. 377.

How To Select a Franchise, by Robert K. McIntosh, is an audio cassette containing advice on becoming a franchisee. It is $15 from the IFA; ask for stock No. 309.

The Franchise Option: Expanding Your Business Through Franchising, by William Ginalski and DeBanks Henward III, covers planning a franchise system, test-marketing, system implementation, and other topics. It is available from the IFA—in hardcover at $26 (stock No. 319H) or softcover at $20 (stock No. 319S).

Franchising, by Robert T. Justis and Richard J. Judd (Van Nostrand Reinhold), is informative for aspiring franchisors and franchisees. It is $44.95 plus shipping from the publisher at 7625

Empire Drive, Florence, Ky. 41042; 1-800-842-3636. Ask for ISBN No. 0538073217.

A book aimed at emerging and existing franchisors is *The Franchising Handbook* (AMACOM), edited by Andrew J. Sherman. Priced at $75, this resource book is a collaborative effort by leading franchise authorities on a wide range of topics. To order, contact AMACOM, 135 West 50th St., New York, N.Y. 10020.

PHOTO: LINDA SUE SCOTT

Founder *Susan Kezios of the new American Franchisee Association.*

Services For Veterans

VetFran is a nonprofit group that puts military personnel and veterans in touch with franchisors. Contact Charlie Wood, P.O. Box 3146, Waco, Texas 76707; (817) 753-4555.

Seminars For Women And Minorities

Women in Franchising (WIF) conducts several seminars aimed at introducing women and minorities to franchising. Scheduled seminars are:

■ **April 24:** Washington, D.C. This all-day franchise-orientation seminar, presented by WIF and sponsored by the U.S. Minority Business Development Agency, is aimed at minority-group members. It is free and will be held at the Washington, D.C., Convention Center. All participants will receive tickets to the International Franchise Expo (see the list at right). Call 1-800-222-4943.

■ **May 15:** Chicago. The Illinois Franchise Task Force sponsors a workshop presented by WIF at the O'Hare Holiday Inn; $45 per person. For more information, call 1-800-222-4943.

■ **May 1:** Chicago. This is a three-hour introductory seminar on franchising sponsored by the Minority Enterprise Growth Assistance (MEGA) Center and presented by WIF. It is for any minority-group member looking for basic franchise information and low-cost franchise business consulting services. There is no charge. For more information, call (312) 977-9190.

Expos And Trade Shows

Information on franchise companies is available also through the Franchise Expos produced by Blenheim International Franchise Expos, Inc., and sponsored by the International Franchise Association. More than 100 franchises will be represented at the regional expos; daily admission is $5 to $6. More than 400 franchises are to exhibit at the annual International Franchise Expo; admission is $15 daily or $25 for the weekend.

Following are the expos' dates and locations:

■ **April 23-25:** Washington, D.C. (The International Franchise Expo)

■ **June 26-27:** Philadelphia

■ **July 31-Aug. 1:** Dallas

■ **Aug. 14-15:** San Francisco

■ **Sept. 11-12:** Chicago

■ **Oct. 30-31:** Atlanta

For more information, contact Blenheim International Franchise Expos, Inc., 1133 Louisiana Ave., Suite 210, Winter Park, Fla. 32789; (407) 647-8521.

Family Business

Browsing through recent books; excuses offered for not having a board.

OBSERVATIONS

From Heirs To History: New Books

By Sharon Nelton


PHOTO: AMANDA BALDRIDGE

My desk is piling up with books for people in family businesses.

My personal favorite of these recent offerings is *Mind Your Own Business*, a book by Marcy Syms (MasterMedia, $18.95). Syms is president and chief operating officer—and heir apparent to the founder, her father, Sy Syms—of Syms Corp. It is a $300 million chain of off-price-apparel stores based in Secaucus, N.J.

Somehow, family-business books written by family-business members contain a certain authenticity that such books written by outsiders can't match. Syms' book is no exception.

While she has interviewed members of other family businesses for her book, Syms weaves in her own personal experience throughout, covering such topics as the role of the family in a family business, nonfamily employees, and retirement.

Of special interest is the amount of preparation Syms put in once she decided to commit herself to the family business. She embarked on a process of self-education that included reading about family businesses, attending family-business seminars, and talking with consultants and peers. She even went to a therapist to help determine how best she could "fulfill the dual role of child and employee." She believed, she writes, that the more she could learn about family business, "the more effective I would be at Syms."

In *Born to Power: Heirs to America's Leading Businesses* (Barron's paperback, $12.95), sociologist Jan Pottker profiles 50 businesses, with emphasis on the younger generation—from Wendy Thomas of Wendy's International, Inc., the hamburger franchise company, to Roger and Michael King of King World Productions, Inc., the syndicator of such television programs as "Wheel of Fortune" and "Jeopardy."

Pottker's aim is to look at the executives who will be leading some of this country's most prominent businesses into the next century and to break down the stereotype of family-business heirs as "rich kids."

"Rarely are these young heirs given the recognition they merit for having the spirit to join, shape, and often revamp their families' already successful businesses," she writes.

For a family that wants its family firm's history prepared, there's a workbook called *Business Stories—Business Savvy: How To Compile and Publish Your Business History*, by Cynthia B. Chapman, a Corvallis, Ore., writer who has conducted seminars on the topic. She helps you determine your purpose, the audience, budget, and deadlines, and she provides guidelines for gathering information as well as writing tips.

To order, send a check for $10 to Authors & Editors, 2031 N.W. Monroe Ave., Corvallis, Ore. 97330; (503) 757-0713.

For a look at family business in the United Kingdom, consider *The Stoy Hayward Guide to the Family Business*, written by Peter Leach of Stoy Hayward, a London accounting firm. Leach, who says family businesses account for more than 70 percent of all businesses in the U.K., addresses such topics as professionalizing a business, strategic planning, and passing down the business.

For information, contact Leach at Stoy Hayward, 8 Baker St., London W1M 1DA, U.K.; telephone 011(44)71 486-5888 or FAX 011(44)71 487-3686.

PLANNING

10 Myths About Outside Boards

By John L. Ward and Craig E. Aronoff

"The best thing we ever did was put independent, outside directors on our board," says one family-business owner we know. "I sure wish I'd done it sooner. It would have saved us a lot of grief and a lot of money."

Family-business owners tell us again and again about the tremendous benefits they gain from having CEOs of other companies on their board. They praise the strategic stimulation they receive. They recognize the value of objective perspective on family-business topics such as succession, family compensation, and shareholder involvement. Most of all, they appreciate the empathetic counsel they get as they struggle with the loneliness of leadership.

We wonder, then, why so few family businesses have outside boards. Our research suggests that no more than 5 percent to 10 percent of medium-sized private companies have the three or so outside directors necessary to have a creative, effective board.

Here are the excuses we hear most often—and how we respond:

1. No one that good would serve on my board. Business owners are often too humble to believe they can attract the CEOs of other, usually larger, dynamic


PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

companies. However, in our experience, when one business owner approaches another wanting help with the interesting challenge of board membership, the second owner is inclined to say yes.

Business leaders know how much board membership benefits them. As they learn about your business, they think about their own. They enjoy learning from other leaders on the board.

2. I don't even know people who would serve. That's very frequently true—and that's a good thing. Usually, the better you know board candidates, the less appropriate they are.

Start by defining the background and experience you are looking for, not by confining yourself to people you know. When what you're looking for is clear, then your friends, suppliers, and professional advisers (banker, lawyer, accountant, consultants) will be eager to help you identify candidates.

3. The current family and employee directors will feel hurt. If existing board members are asked to leave, they may feel disappointed. But they should understand why the change is being made. Board meetings should be only one channel for keeping key people informed and involved. Executive committee meetings should fill that need for key managers; family meetings do it for family.

Occasionally invite key managers or family members to board meetings. Share agendas and minutes with them. They shouldn't have to be on the board to be in the loop.

4. I can't keep meetings interesting enough. You surely have at least one important strategic question every three or four months. That's the best agenda possible. If you struggle to identify important issues, ask the directors for help. Let them propose some topics for discussion.

5. I might need to remove a director—that would make me very uncomfortable. Dissatisfaction with outside directors is far more rare than you might think. One of our surveys shows that only 1 percent of directors were replaced each year because the CEO was unhappy with the board member. Still, we recommend clear, limited terms (two to five years) and a mandatory retirement age, such as 65 to 68. Exceptions can be made when warranted.

6. Boards are too much work. Preparation typically takes three or four hours per quarter. However, the financial and management reports you develop for board meetings should be valuable to management as well. Preparation also forces some "strategic reflection," which owners tell us is very valuable in its own right.

ILLUSTRATION: DAVID CHEN

7. We're growing too fast. A board will slow us down. Your board should include other "fast-growth" CEOs. They will encourage you to slow down if they think it's for the good of the business. Fast-growth companies need good boards the most. They can help anticipate the problems and requirements of your growth.

8. Directors' liability insurance is too much hassle and expense. Few existing boards have—or need—directors-and-officers insurance. Corporate indemnification is often quite sufficient.

The unprotected exposure for directors of private companies is infinitesimal. In our research, we've found no example of a director's personal penalty.

If liability is still a serious concern, form an "advisory council" of the same people to serve the same purpose.

9. Outside directors don't want to be drawn into resolving family conflict. Correct, they don't. But we find that the mere existence of a distinguished, respected, outside board lessens family conflict dramatically. And when there is a conflict, the board encourages resolution; it doesn't—and shouldn't—resolve family conflicts itself.

10. I don't want to give up control. This is the most frequent underlying concern. Business owners perceive that control rests with the board. In reality, it rests with the shareholders.

As you see, the objections of business owners to having a board are based more on myth than fact. Real obstacles exist—such as family politics or a partner's lack of enthusiasm. In those cases, we recommend starting with an advisory council and letting the concept prove its own value.

In our opinion, an outside board is the best investment you can make in the future of your business and in your family's security.

MARK YOUR CALENDAR

May 12, Goshen, Ind.

"Someday It'll All Be Yours . . . Or Will It? Preparing the Next Generation for Management of the Family Business" is a seminar to be conducted by family-business management consultant and author Donald J. Jonovic. Contact Leonard Geiser at Goshen College, Goshen, Ind. 46526; (219) 535-7451.

May 20, Dallas

"Perpetuating the Family Business: The Ultimate Management Challenge," featuring *Nation's Business* columnist John L. Ward, is a program for members of the Baylor University Dallas/Fort Worth Family Business Forum. To inquire about membership, call (817) 755-2265.

June 14-17, Marietta, Ga.

The "Family Business Academy" is aimed at preparing the next generation for family-business leadership. Topics include developing successors, revitalizing strategy, and building family consensus.

Contact Joe Astrachan, Associate Professor of Management, Kennesaw State College, P.O. Box 444, Marietta, Ga. 30061; (404) 423-6621 or 423-6045.

June 27-30, Eugene, Ore.

"Family Business Family Camp" offers the entire family a chance to play as well as learn. Topics include career planning, succession, money, and values. To be repeated Aug. 29-Sept. 1 in Yamhill, Ore.

Contact the Family Business Program, College of Business, Oregon State University, Corvallis, Ore. 97331; (503) 737-3326.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public.

Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

WORKPLACE

Making People And Machines Compatible

When workers and their workplaces are a good fit, productivity will follow.

By Robert H. Rosen with Lisa Berger

We are surrounded by an agglomeration of hardware, tools, furniture, and fittings that can make us remarkably productive, incredibly speedy, and highly informed.

Yet these innovations can also chisel away at our health and our lives, so they must be managed with keen sensitivity to people.

The best organizations place people ahead of their machines and are always on the lookout for ways to adjust the machines to their workers' needs.

Ergonomics—the relationship between people and their machines—is the backbone of these healthy workplaces. Ergonomics may entail small adjustments, say to numbers on a telephone, or it may encompass the refitting of an entire assembly line.

When the ergonomics are right, with employees and their tools fitting well together, good health and productivity follow. But when the fit is skewed and a person must constantly strain his or her body and mind to do the work, then something must give—usually the employee.

In time, this adjustment causes an assortment of disorders that go right to the bottom line.

The best workplaces manage their machines for compatibility and flexibility whether in an office or a factory. Compatibility means machine and tools adapt to you, not vice versa. They are designed and constructed not just for function and efficiency, but for people to use. Their shape, size, and operation take into consideration the human form and how human beings move and work.

Flexibility recognizes the inevitability of change in the workplace. Few people do the same work year in, year out, and the equipment and environment are constantly updated.

So people have to be flexible and adapt to new technology, and existing technology must be flexible enough to accommodate different people.

At Mazda Motor Manufacturing (USA) Corp., in Flat Rock, Mich., ergonomics and operations are meshed like a synchronized drill team. The assembly line can move at an erratic pace, and workstations are usually designed for function, to complete a task, and thus people sometimes have to twist, stretch, and crawl. "The most efficient way of production is for each person to do the same thing over and over," explains a manager at Mazda. "But that's the worst thing for humans."

To make itself ergonomically sound, Mazda anticipates and redesigns jobs that could produce injuries and ferrets out and corrects mismatches between workers and machines.

To head off problems, the company inaugurated a formal ergonomics program that studies jobs and people, listens to complaints, and recommends changes. So far, the program has made these changes:

- Altered tool designs to reduce repetitive-motion injuries;
- Rotated workers in the most repetitive jobs every two hours;
- Rebalanced the assembly line by having workers do a couple of tasks rather than only one.

> **The best organizations place people ahead of their machines and are always on the lookout for ways to adjust the machines to their workers' needs.**

These ergonomics programs have improved employees' health and costs. In one year, overall repetitive-motion injuries dropped 27 percent, while such injuries in Mazda's largest department, trim and final, plunged 40 percent.

At the same time, workers' compensation costs have begun to decrease even though the company anticipated doubling these expenses because of higher production levels.

To be productive, people also need the right kind of space—a balance of privacy and group interaction. When employees have no visual or auditory privacy, they may feel pressured and distrusted, and their cramped quarters can create antagonism and discontent. At the other extreme, working alone, people may feel little connection to the organization.

Eventually, these unhealthy conditions can push up absenteeism and benefits costs.

Office spaces should be designed with the practicalities of daily work in mind. Often they are put together piecemeal, and the question of how employees fit and use their furniture is an afterthought. To make work spaces healthier:

- Consult with employees or outside experts on how to make these areas more comfortable and more efficient.
- Ensure that every employee has enough privacy—acoustical (privacy from distracting noise) and visual (privacy from being constantly on view).
- Ensure that chairs, desks, and work tables are flexible and adjustable.
- Ensure that lighting levels and positioning are adjustable.
- Eliminate crowded work areas and loud or distracting noise.
- Adjust the ringing level of loud telephones.
- Give headsets to employees who use the phone a lot.
- Allow people to decorate their own work space. Their office is their home away from home.
- Provide an array of group spaces—formal conference rooms, rooms for informal team meetings, areas for relaxation breaks, and kitchens.

Ergonomics is everywhere. It demands that every manager make sure jobs are tailored to people and that people are not twisting and stretching themselves all the way to the medical department.

Companies must continually adjust and be sensitive to the human and technological evolution of the workplace. Only employers and employees who contend daily with the demands of their work can determine, together, the ideal fit between a person and a job. NB

Robert H. Rosen is president of Healthy Companies, in Washington, D.C., and an assistant clinical professor of psychiatry and behavioral science at George Washington University. Lisa Berger is a writer in Washington, D.C.

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LESSONS OF LEADERSHIP

A Successful Competitor

Led by Ivan Gorr, Cooper Tire & Rubber is an employee-centered company known for product excellence.

By Albert G. Holzinger

Ivan W. Gorr, chairman and chief executive officer of Cooper Tire & Rubber Company and 1993-94 chairman of the U.S. Chamber of Commerce, is a soft-spoken man whose associates describe in flattering terms. However, Gorr's close colleagues at Cooper, based in Findlay, Ohio, also issue this caution: Play cards or golf with Ivan Gorr at your own peril.

Those who shrug off this admonition are at risk, by all accounts including his own, because Gorr is a fierce competitor who strives to win not just most of the hands or holes but all of them.

That drive for perfection also is evident in his job performance. Since Gorr assumed responsibility for Cooper's day-to-day operations in 1982, annual sales have nearly tripled, to almost $1.2 billion, and annual net income has grown about sixfold, to $108 million.

Moreover, during the same period, the value of Cooper stock has skyrocketed about 3,800 percent. Gorr became president and chief operating officer of the company in 1982 and chairman and chief executive officer in 1989.

"It has been just a fantastic company ... that has done just amazing things" financially, says Scott L. Soffen, who analyzes the tire industry for the New York-based brokerage Shearson Lehman Brothers.

"On Wall Street," Soffen observes, "no one views Cooper as a tire-company stock any more; everyone views it as a growth stock, like that of a biotech company." Moreover, he notes, Cooper has earned its reputation as a turbocharged company in a mature industry.

Cooper was founded in 1914 as a manufacturer of patches, cement, and repair kits for tires. By 1920, early leader I.J. Cooper had repositioned the firm as a tire manufacturer. At the time, Cooper had more than 130 domestic competitors, 40 in Ohio alone.

Today, Cooper and Goodyear Tire and Rubber Co. are the only surviving independent, publicly traded tire makers in the U.S. The rest have gone out of business or have been acquired by foreign firms, with most of the consolidation taking place during the past five years. (Most notably, Uniroyal Goodrich now is a subsidiary of Groupe Michelin of France, and Firestone has become the U.S. division of Bridgestone Corp. of Japan.)

Cooper also has established itself as a major player in the $5-billion-a-year business of manufacturing the engine mounts, hoses, window and door seals, and other products that make up the approximately 130 pounds of rubber components in the average new car. About 15 percent of Cooper's sales volume currently stems from these nontire rubber products.

The current performance and long-term prognosis of Cooper have not always been so stellar, however.

In 1972, certified public accountant Gorr was an employee of Arthur Young & Co. assigned to the Cooper account, and Cooper was looking for a corporate controller. Gorr was offered the job.

"Those were very troubled times at Cooper," Gorr reminisces. "The company was very extended and leveraged. There was a real question about whether it was going to survive."

Yet for a competitor like Gorr, the

A fierce competitor, *Ivan W. Gorr decided to join Cooper—its future then in doubt—because the risk and challenge "just seemed to be attractive."*

PHOTO: T. MICHAEL KEZA

decision to join Cooper in the face of adversity was easy. "That kind of risk, that challenge just seemed to be attractive, even though my peers at Arthur Young thought I was crazy for taking the chance," he says.

The company turned itself around by embracing one of the fundamental tenets of modern quality management: Listen to your employees. "We had a lot of highly capable people employed at Cooper at the time, and top management gave them a chance to stand up and say what the company should be doing and what they could do to help it get there," says Gorr.

As leader of the 215,000-member U.S. Chamber, Gorr plans to travel frequently this year carrying the message that there is no substitute for producing quality products and being sensitive to customer needs in today's competitive global marketplace. Gorr says he especially will emphasize that business people must get involved in improving America's education and training systems. He will be able to point to the difference in performance that adopting this cultural change has made in his own company.

After all, employee recommendations in the key areas of business positioning, product distribution, dealer relations, and quality assurance are the cornerstones on which Cooper's current successes rest, Gorr notes.

Cooper's four tire/tube plants currently churn out nearly 100,000 passenger tires a day for the replacement market. Shunning the temptation to stray from this niche is probably the most important principle ever adopted by Cooper.

The replacement market is about three to four times larger than the original-equipment market, and it is growing faster now because the owners of today's highly durable cars are keeping them longer. By making only replacement tires, Cooper has avoided the sharp ups and downs associated with new-car sales. Also, because original tires on cars last up to four years, the company has been able to reduce speculative research and development expenditures.

A second resoundingly correct decision involves product distribution. Cooper takes about half of its production to market as the private-label brands of oil companies, large independent distributors, and such industry retailers as Western Auto. The other half is sold through a network of about 1,900 independent tire dealers.

According to industry reasearch, customers buy the tires recommended by the dealer more than 50 percent of the time. And according to the tire trade press, dealers love Cooper because it provides them with the highest gross margins in the industry and doesn't have company retail stores that compete against them. Says Gorr: "We have only three stores, in cities where we make tires. We use them for training our people. Our aim is to assist our dealers, who are our valued customers, not compete against them."

Cooper delivers those high margins—as well as consistent dividends and stock-price growth—by pinching pennies in countless ways. For example, Cooper runs its plants at 100 percent of their rated capacity; most plants in the industry produce at only about 80 percent.

When it has to add new capacity, the company sometimes buys old plants in small, rural communities, refits them, and retrains local workers in Cooper's methods. "We grow our talent, and we motivate [people] with ownership, identity, and pride," says Gorr. And these home-grown workers tend to be so fiercely loyal that Gorr, with 20 years of service, and his contemporaries refer to themselves as newcomers.

Cooper's compensation system, in which the earnings of everyone from the CEO to line workers rise and fall with the fortunes of the company, also instills loyalty. The company has been on such a roll lately that rank-and-file workers who began faithfully investing 6 percent of their salary in Cooper stock when Gorr joined Cooper, matched by company contributions, would now have an equity share of well over $1 million.

Predictably, Cooper's employee-centered organization results in high product quality. Even with sales over $1 billion, Gorr says, "we are still a relatively small company in an industry dominated by a few giant firms. So excellence had to be a given for us; the commitment to quality cannot be challenged or questioned."

To symbolize a personal commitment to quality, Cooper employees affix stickers bearing their names to new tires in the final stage of production.

Cooper was "way ahead of the curve" in emphasizing quality products and service, says Soffen of Shearson Lehman Brothers. In fact, he says, "quality has become such a [big] part of Cooper's culture that they usually don't think to talk about it any more."

Gorr notes, however, that even operating an impeccable business is no guarantee of success in today's global economy unless the international rules governing trade are fair and enforceable. So in his capacity as chairman of the U.S. Chamber, Gorr will campaign hard for congressional approval of the North American Free Trade Agreement, which he says will expand commercial opportunities for small as well as large businesses. He also will press for successful conclusion of bogged-down multilateral negotiations taking place under the auspices of the General Agreement on Tariffs and Trade (GATT).

Will Gorr be able to accomplish these objectives? Don't bet against it. After all, if you press him about his role in Cooper's recent success, he'll use phrases like "getting the team involved" and "sharing the credit." However, when you put the same question to an outside expert, the response is very different.

Answers Soffen: "Cooper's success is attributable to a lot of factors such as positioning, market strategy, and picking people who have been able to make Cooper the low-cost producer" in the industry. But, he adds, "you credit Gorr for bringing those factors together. He gets the credit for making it happen." NB

PHOTO: T. MICHAEL KEZA

CHART: AMY PUGLISI

CEO Gorr *and other managers often solicit ideas from line workers like Ray Gruber, right, under Cooper Tire's well-established quality program. The positive results are evident in the charts above.*

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MANAGING

What Do Customers Think Of Your Firm?

Here's how you can harvest complaints as well as compliments—and why you should do it.

By Roberta Maynard

PHOTO: DIRCK FREDMAN—BLACK STAR

To improve service *to customers, Delta Dental Plan of Massachusetts' Senior Vice President Thomas Raffio, right, meets with participating dentists Donald L. Farley, of Springfield, Mass., and Ronni A. Schnell, of Medford.*

Do you spend as much time and effort keeping the customers you already have as you do in attracting new ones?

Customers, who already know what you do and where you're located, are valuable assets, and they can also be incisive critics. Not only are they already patronizing your business, but also they know about the quality of your service or products, the professionalism of your employees, the appearance of your shop or office, and the convenience—or inconvenience—of doing business with you.

Yet many businesses don't tap this resource.

"Small businesses are the worst offenders of customer service and quality," says John Tschohl, president of the Service Quality Institute, a training and consulting firm in Minneapolis. Tschohl, author of *Achieving Excellence Through Customer Service*, says of small firms: "They make assumptions about the quality of their business—they think they are already perfect. But the most successful organizations are those that stay close to their customers. . . . They constantly evaluate where they are and are always trying to improve."

Take the case of Delta Dental Plan of Massachusetts, in Medford. Delta, a company with 200 employees, sells and administers dental benefits to 2,000 companies, covering 300,000 employees and their dependents.

Delta began a program in 1990 to improve customer service by listening to its customers. The company surveys three groups—the client companies, their employees, and the dentists in the plan. Corporate customers are contacted by phone or mail four times a year. The dentists are sent one survey annually and also participate in focus groups—small meetings organized to discuss ways to improve administration of the plan. The clients' employees are surveyed randomly.

All surveys are handled in-house. Delta asks only a handful of key questions so as not to inundate respondents.

Customers also receive a seven-point service guarantee, the cornerstone of Delta's "no-hassle" customer-service program. Each of the seven items has a dollar value, and when a promise is not met, the customer can call Delta to receive a check. For example, if an accurate identification card is not mailed to a new customer within 15 days of joining the plan, the customer is entitled to $25. (If all employee cards for a particular company are late, the payout is multiplied accordingly.) Customers who call with an inquiry and do not receive a call back within 24 hours can claim a payment of $50.

On the corporate level, if conversion to a Delta plan isn't smooth—a determination that is solely the client's—the entire month's administrative fee will be waived; that can cost Delta as much as $7,500. When the company's customers call, they encounter no haggling about why the error occurred. They are issued a check without delay.

In 1992, Delta paid $24,730 for 254 incidents of service failures, but the company does not view payouts as a negative. "We budget for this," says Delta's Senior Vice President Thomas Raffio. "We look at this as an opportunity to improve. We let employees have the authority to do this without being concerned about the cost."

Given the constant, predictable level of turnover in the customer base, as employees leave companies and new employees are hired, Raffio expects to pay about $25,000 each year under the program.

Although $25,000 can be a huge sum for a small firm to spend to keep its customers happy, Delta has found that the investment pays substantial dividends over a relatively short period. And that amount is tied to a company's volume of business and number of clients. A smaller company would spend less for a program of the same type.

Results are analyzed carefully by Delta staff members so improvements can be made. Overall, the surveys, focus groups, and the seven-point guarantee program have resulted in nine significant work-flow changes, says Raffio.

Retention of accounts, previously a high 90 percent, is now at 97 percent and sometimes has reached 99 percent.

The company also is enjoying increased growth; its customer base, reserves (funds available for paying claims), and annual revenues are all up substantially.

Holiday Builders, Inc., in Melbourne, Fla., began surveying its new-home buyers in 1985 when the company faced a customer-service crisis after explosive growth made it impossible to meet customer demands. (In recognition of overcoming that crisis, Holiday Builders was named a 1991 Blue Chip Enterprise company in the award program sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. For accounts of this year's National Blue Chip Enterprises, see Page 31.)

10 Ways To Generate Customer Feedback

To elicit customers' comments and criticisms about your company, choose methods that suit your needs and budget, and make the effort ongoing. The following ideas were supplied by the Service Quality Institute, a service training and consulting organization in Minneapolis.

Focus Groups. Convene a new group of five to eight customers at least every 90 days, for a session of an hour or two. Provide refreshments, and keep asking questions and listening. Guard against becoming defensive.

Telephone Surveys. This is the most effective method for small businesses. Personal phone contact is a good way to get additional detail or explanations. Do this every 60 to 90 days.

Mail Surveys. Make the survey short, clear, and specific. Offer premiums such as T-shirts or mugs to boost responses.

Customer Visits. These provide an important personal element for companies with a few large clients.

Thank-You Calls Or Notes. This is a low-cost strategy to apply to all new customers. For consistency, an employee should be assigned this as a regular duty. Customers should be asked about problems and impressions, and the comments should be noted.

Employee Surveys. Employees know your customers best. Use a one-page form or a focus group to get their views every six months. Do this in conjunction with other methods because employees are not likely to reveal criticisms of management or of their own work.

Comment Cards. This technique is effective for restaurants and other firms with many customers whose identities aren't known. Make the format simple.

800 Phone Numbers. Companies with clients nationwide may find this a good tool for getting immediate response.

Complaint System. Post signs, use a suggestion box, print a phone number on cards or bills. Designate someone to handle the comments and to respond, when appropriate. Customers must believe that the company will listen.

Lost-Sale Follow-Up. This is particularly important if sales are slipping or if you're changing your sales operation.

After 90 days in their new homes, Holiday Builders' customers receive a questionnaire. "We ask the hard questions," says the company's president, Larry Sietsma, such as, " 'Did our attitude change after the sale? What would you change if you purchased again? What do you like least about your home?' They are asked about quality of construction, service during construction, materials, permits, and subcontractors. This gives us a chance to correct problems, even small ones, and that makes us shine."

Forty to 50 surveys are sent each month, and half are completed and returned by customers. Surveys are handled at very low cost by Sietsma's staff; he has 58 employees.

Holiday Builders constructs 500 new homes a year in the price range of $50,000 to $70,000 and sells them mostly to first-time buyers. Sietsma has everything to gain by making customers happy. In Florida, a home is owned for an average of 3½ years before it changes hands again, he says. Many of his customers come back to him for their next home, and 57 percent of the company's first-time customers are referred by current customers.

> **"The most successful organizations are those that stay close to their customers. . . . They constantly evaluate where they are."**
>
> —John Tschohl, President, Service Quality Institute

The key to learning from customers is the owner's determination to listen and change, says consultant Tschohl. "Never do any of this if you don't want to take action. The [goal] is to find out what the problems are and solve them permanently."

A business that talks to its customers in a constructive, systematic way can easily see the results within three months, Tschohl says. Complaints will decrease, sales will increase, and turnover will drop. And, of course, customers will be happier. NB

To order reprints of this article, see Page 80.

Just-In-Time Deliveries

As companies adopt just-in-time inventory management, suppliers must make faster, more reliable deliveries.

By Julie Candler

It once took Lifeline Systems at least 30 days to produce and ship its product—personal-response devices that enable wearers to summon help immediately by voice in an emergency. "Now, production lead time has been cut to four days," says John Giannetto, corporate manager of materials and purchasing. "We have the ability to ship in 24 hours."

Without increasing its 68-member manufacturing work force, the company has tripled production since 1987. That's when it adopted a manufacturing infrastructure that integrates the philosophies and cultures of just-in-time inventory (JIT), total quality management (TQM), and manufacturing-resource planning.

"What comes in the back door [in parts and materials] is gone four days after it gets here," says Giannetto. Lifeline Systems has progressed from a money-losing firm with gross sales of $19.6 million in 1987 to a profit maker with $38.5 million of sales in 1991. Profits were about $4 million in 1992.

The increasingly popular just-in-time system keeps inventories to a minimum, usually no larger than what is needed to support one day of production. The system's effects are rippling out to businesses everywhere as companies realize that just-in-time cuts costs and improves quality.

In turn, suppliers doing business with a manufacturer or retailer operating on JIT must deliver as the customer specifies—or not at all. Because the system increases the number of deliveries and decreases the quantities delivered, transportation must be faster and more reliable.

Penalties for delivering late—or too early—can be steep. Some companies have been known to refuse to accept an early shipment, or charge 10 to 20 percent of the value of a late shipment, or assess the full cost of delivery.

Companies making just-in-time deliveries are also finding that their low-inventory customers are simplifying operations by reducing numbers of suppliers. Lifeline Systems has downsized its supplier list to 75 from 300 over 2½ years. Suppliers that made the cut at Lifeline satisfy the firm's JIT needs for service and also quality. As a result, says purchasing manager Giannetto, 85 percent of material from suppliers requires no inspection.

Lee Pittman, strategic-development manager for Future Three Software, of Livonia, Mich., notes that retailers, like manufacturers, also are moving more toward just-in-time systems.

Pittman's firm produces programming for the electronic data interchange (EDI), or computer-to-computer communication, that helps make JIT work. "It requires a large computer system where everybody can share the same information." The cost of a start-up system for a small firm, whether on the receiving or the shipping end, would be $20,000 to $30,000 for hardware, software, and training, Pittman estimates.

JIT systems can be applied successfully by smaller businesses, according to a study published in 1990 by R. Anthony Inman, an assistant professor of business management and marketing at Louisiana Tech University, in Ruston, La., and Professor Satish Mehra of Memphis State University. They concluded that smallness was not an obstacle in obtaining reduced lot sizes from vendors and in increasing inventory turnover.

Keyboard in hand, *Star Delivery driver Harry Fulton contacts dispatchers.*

Satellite *communications are crucial, says Glen A. Werry Jr., president.*

PHOTOS: ALFRED ZWICKY

At the hub *of communications with drivers is Bernie Quin, fleet manager.*

"That applies even more in 1993," says Inman. "More people know about JIT. Suppliers are more willing to be part of a JIT system. I think this could apply to a company with 25 to 50 employees."

From Months To Days

The Quincy, Ill., plant of Quincy Compressor, Inc., has reduced its inventory to $4 million from $21 million over 10 years. Quincy uses JIT techniques to speed up delivery time for its large industrial air compressors, used in service stations, factory machinery, and climate-control systems.

"We are producing more than we ever did, with less people," says David Irick, traffic manager. "When I started here 13 years ago, if you called for a basic air compressor, we quoted you nine months' delivery time. Now we quote 10 days, and we are averaging about five. That's just the way the market is. Nobody carries any inventory."

Group Shipments

Some companies are helping their customers simplify operations and cut costs by performing tasks such as consolidating shipments for them.

A major customer is getting such assistance from the Industrial Chemicals and Solvents Division of Ashland Chemical Co., in Dublin, Ohio. At the same time, Ashland is helping itself by collecting materials the customer receives from Ashland and other suppliers and sending a full truck daily.

Ashland Chemical is a large distributor of thermoplastics and fiber-reinforced plastics as well as industrial chemicals. J. Thomas King, vice president and general manager, discusses the shipment consolidation:

"Say a customer ordered 20 drums a week of a certain chemical. With JIT, they want three or four drums delivered every day. But the customer also wants to pay the once-a-week delivery price. Typically, JIT means more expense for suppliers delivering smaller quantities. Customers have to understand they need to share some of their savings with the supplier."

Eyes In The Sky

A number of companies are meeting customers' JIT requirements by turning to independent contractors. Among them are many trucking firms that specialize in time-sensitive deliveries.

Since Star Delivery of Morton, Ill., began its time-sensitive delivery system in 1986, its fleet has increased from 60 tractors to 500. It uses Peterbilt tractors—Model 377A/E and its earlier version, the Model 377. The company's trucks cover the eastern half of the United States and average about 600 miles per trip.

Star has equipped each of its big rigs with two-way satellite communications. The OmniTRACS system, supplied by QUALCOMM, Inc., of San Diego, is equipped with an automatic satellite position reporting system that provides vehicle tracking to within 1,000 feet.

Each truck has a keyboard unit in the cab so that drivers can contact their dispatchers from any place at any time. Each hour, or on demand, a satellite identifies the exact location of a shipment and reports the position to Star's home office.

"I don't know how you could do time-sensitive deliveries without satellite communications," says Glen A. Werry Jr., president of the firm. "The key is real-time communications. We can tell customers where their shipment is anywhere in North America."

Helping Hands

Many independents assist businesses in shipping to retailers. Among them is American Distribution Systems, Inc., in

PHOTO: ERICK FRIEDMAN—BLACK STAR

"Just-in-time" processes *help employees such as Sally Gentele sharply cut manufacturing time at Lifeline Systems.*

Keego Harbor, Mich. The firm's services include stocking merchandise at its own location, processing orders, making deliveries, and handling the billing. All the customer has to do is buy and sell the product. "We complete the sale," says Rodger Wasserman, president.

If the vendor can keep the store supplied with exactly the amount of products needed and no more, then the store doesn't have to pay interest and other costs of a backup supply of goods.

"The big chains are saying they will take one or two weeks' supply," says Wasserman. "Some vendors once shipped by the freight-car load to a warehouse. Now they may ship to 2,000 locations once a week."

Wasserman tells of a small firm that developed a product that Kmart wanted to sell. The firm had no distribution facilities, however. "We became the vehicle that allowed them to get into that market, which they would never have had otherwise," says Wasserman.

Car Parts By The Hour

In the automobile industry, just-in-time inventory began because of competition from Japanese manufacturers, who originated the system.

Today, suppliers to the industry often locate facilities near their low-inventory customers' plants so that they can make deliveries quickly.

Douglas and Lomason, manufacturer of auto seats, has most of its 21 plants within 50 miles of the firm's customers. "We will get the word via computer in a morning broadcast as to what vehicles a plant will build that day," says Martin DiLoreto, manager of marketing and business planning at the firm's Farmington Hills, Mich., headquarters.

"When a car body leaves the paint department—and not before—they advise us the style of seat, upholstery, color, and trim they will need," DiLoreto explains. "We have 90 minutes to four hours until the seats go in the vehicle. We don't even build the seat, which takes about 20 minutes to assemble, until we get word the vehicle is out of the paint line."

Douglas and Lomason gives its automotive customers sequence parts delivery (SPD). It ships each seat to be placed on a conveyor belt in the right sequence.

The blue bucket seat, for example, must drop into place exactly when and where it's needed for the blue sports car. The process uses bar codes.

At its new plant in Barrie, Ontario, A.O. Smith Automotive Products Co. puts together subassemblies of parts for Chrysler's new LH cars (Chrysler Concorde, Dodge Intrepid, Eagle Vision). The company located its plant just 45 minutes away from the Chrysler plant in Bramalea, Ontario, where the subassemblies are shipped by common carrier. "You have to be close enough so you can receive the daily broadcast of production information and get it over there in less than about four hours," says Charles J. Chapman, senior vice president for sales and marketing for the company, headquartered in Milwaukee.

Even companies that don't use JIT may as well do so, says Rick Fournier, director of marketing for automotive electronics at Rockwell International in Troy, Mich. "Everyone is into such tight schedules," says Fournier, "they might as well call it 'just-in-time.'" NB

The Boss As Mentor

As tutor, coach, counselor, and guide, owners or senior employees help talented, less-experienced associates advance.

By Howard Rothman

PHOTO: GREG PETTERS

Helping employees *grow through mentoring is beneficial for his computer consulting firm, says Ed Fu; meeting with him are Amy Stock, left, and Halli Kunze.*

Ed Fu takes a personal interest in training a select group of talented employees at his fast-growing Arlington, Va., computer consulting firm. He calls it "Fu-izing," another word for mentoring—a concept that turns company owners or senior employees into teachers.

At Fu Associates Ltd., all new hires go through a formal but somewhat unstructured mentoring program. Each newcomer starts out working directly with a midlevel employee. After a couple of months, Fu begins choosing from among the new employees for designers to serve on projects for which he is senior systems analyst.

He describes this exercise as "looking for talent," which he can then nurture and mold into a top programmer or systems analyst at his firm.

A mentor serves as a tutor, coach, counselor, and guide to less-experienced associates. In the business world, mentors are usually senior employees who team intentionally with young potential leaders to lend them the benefit of their experience.

"The best way for me to mentor people is to work really closely with them," says Fu, who is directly involved in about 65 different consulting projects annually at his nine-year-old company. "Then I can bring them along," he adds, "and show them how I think they should be structuring their work."

Fu Associates, which has about 100 employees and did $7.8 million in contract work last year, takes a decidedly humanistic approach to its work with both clients and employees. The company employs its own psychologists to consider the needs of its clients' staffs in its computer-systems design projects. And Fu is no less concerned about his own employees' needs. He says that only if he is personally concerned can he help his workers grow and learn to become the best that they can be—in turn making his company better, too. "This is a service business," Fu explains. "My employees are all that I have."

Ed Fu is among a cutting-edge group of owners of small and medium-sized businesses who recognize the benefits that can be derived from personally mentoring employees who seem to have special potential.

"True mentoring is a process by which you buy into another's dream," says Ben Borne, a Chicago-based human-resources consultant. "You help [the people you mentor] achieve professional goals by sharing your experience and wisdom," he says. "It is dynamic partnering that benefits all the participants."

Bosses who become mentors do not preside over their companies from isolated offices. They manage by walking around and keeping an eye out for "talent" that could go far—especially with the right push from the top.

For quite some time, of course, there have been mentoring programs—both formal and casual—that have included CEOs and presidents at major corporations. Borne recalls how senior managers at Kaiser Aluminum and Motorola helped him when he was starting his working life more than 35 years ago. "I know what it is like to have people pay attention," Borne says.

Playing the role of mentor is "an underlying skill that quality leaders have. They see a person as a unit of value, something of substance," Borne says, adding that more and more owners and managers of small and medium-sized companies are getting involved in mentoring.

Such efforts take advantage of the entire talent pool, and they usually constitute just one of the many benefits that these companies offer to assist in their employees' professional and personal advancement.

"Our whole understanding of the way firms relate to their employees is undergoing a change," says Laurie Bassi, a professor of economics and public policy at Georgetown University, in Washington, D.C. She is writing a book on worker/manager realignment, and she says the phenomenon has come to companies of all sizes and is having an impact on everyone from the newest employee to the most senior supervisor. "And as these firms transform themselves," Bassi says,

Howard Rothman, who lives in Denver, is co-author of Companies With A Conscience: Intimate Portraits of Twelve Firms That Make A Difference *(Birch Lane Press/Carol Publishing).*

"the leader's job is to increasingly take care of the people in the organization."

Jayne E. Hill, vice president and branch manager of the Denver office of the Chubb Group of Insurance Companies, sees this new role for business leaders from both sides. She benefits from an ongoing mentoring relationship with a senior supervisor based at her New Jersey corporate headquarters. In addition, Hill is constantly on the lookout for exemplary individuals among the dozen managers in her own 65-person office, whom she will then mentor herself in a loosely structured program that lasts about a year.

"Chubb puts a real emphasis on developing its people," says Hill. And while she was only the third female branch manager in her company's 110-year history, four others have been named in the past five years, indicating both a changing mindset at the firm and a continuous need for top-flight employees within its far-flung system. "There is lots of responsibility on me to develop people so they can move on to larger branches," Hill says.

Accordingly, when she spots one or two managers who show leadership potential in her office—which oversees property-casualty insurance in four states and has $40 million in written premiums—Hill takes special interest in them and tries to help them find their place at Chubb.

Once, Hill convinced a male employee whose career climb had stalled to enroll in a course on communications skills and work to eliminate a major stumbling block to his advancement. Another time, she pushed a female employee to create a new way to stay productive at the Denver office when she did not want to transfer out of town to advance. "Because I knew them and understood their needs," she says, "I could help them."

Such thinking is light years away from the old boss-on-a-pedestal business environment in which mentoring first developed. In the past, women and minorities rarely got their due in mentoring programs, says Cynthia L. Kemper, president of Denver-based Paradigm Associates, a consulting firm specializing in change and leadership. By excluding talented people from these groups, employers failed to get maximum benefit from their mentoring efforts, she says.

The new standard, on the other hand, is a boss who knows something about—and chooses thoughtfully from among—his or her entire employee base when considering a mentoring partner. "It is good for any organization when the boss identifies all of those who could really benefit from his mentoring help, and then provides it," says Kemper.

Because of their unique vantage point and background knowledge, Kemper continues, bosses are often the best people in their organizations to spot the "shining stars" who will be most interested in, and could most gain from, such interaction. These uppermost mentors usually have a far greater long-term impact than do lower-level alternatives, she says.

When the boss is the mentor, though, other considerations do arise. How many understudies can you handle? Mentoring takes a lot of time, says Kemper. She also cautions against selecting too few employees with whom to establish a relationship. "If you pick just one, the gesture could be misinterpreted and cause others in the organization to resent the 'teacher's pet,' " she says.

Harry Featherstone, CEO of the Will Burt Co. in Orrville, Ohio, didn't make that mistake. Featherstone did everything he could to foster improved communications when he took over as president after 300 employees bought this now-75-year-old metalworking business from its founders in 1985.

Among the people-oriented measures Featherstone initiated was a regular monthly luncheon with 13 or 14 workers from throughout the company who were chosen by their peers.

Featherstone says his direct connection with these up-and-coming managers—in conjunction with other personnel programs implemented after the design and manufacturing firm became employee-owned—provided the spark that enabled it to turn around so quickly after its leveraged buyout.

Featherstone believes such policies were largely responsible for the business hitting $20 million in sales in 1992 while smoothly paying off its debt and scheduling a "mortgage burning" for next December. "Without these programs, the company would be bankrupt," he says. "This is an evolving process. It's not easy, and it's not short-term. But it works." NB

PHOTO: ©JAMES COOK

Their vantage point *helps bosses spot "shining stars," says leadership consultant Cynthia Kemper, left, president of Paradigm Associates, in Denver. Mentoring is important throughout the Chubb Group of Insurance Companies, say Louise Patregnani, center, and Jayne Hill, vice president and branch manager of the firm's Denver office.*

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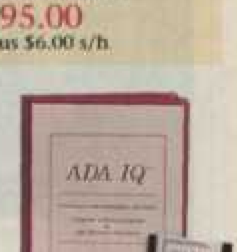

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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

FOOD SERVICE

Dining In

I am interested in starting a restaurant delivery service. I need information on growth potential of the industry and advice on the start-up costs.
J.V.D., Elmhurst, N.Y.

Peter Hetherington, founder of Meal Delivery Ltd., a consulting and publishing firm specializing in the restaurant delivery industry, says there are 500 such delivery businesses in the U.S. The industry's growth potential is strong, he says, since "this is a creative and entrepreneurial kind of business."

For information about trends in the industry and for examples of how independent restaurant delivery businesses got started, use the InfoTrac computer service available through the business reference desk at the Elmhurst Public Library. InfoTrac, an information service available at most public libraries, contains

ILLUSTRATIONS BY MARTHA VAUGHAN

up to 60 magazine and newspaper articles on the subject.

There is no charge for using the retrieval service; copies of articles are 15 cents per screen. Be sure to request the expanded search function under the "Food Home Delivery" category.

Hetherington advises that you do your homework before getting into the business. "Make sure you've investigated the market and have a good selection of restaurants to choose from," he says.

Hetherington's firm sells publications on the industry. One is a promotional three-ring binder (untitled) containing articles, profitability statements, and tips on selling the delivery concept to restaurant owners. It is priced at $175. Another is *Meal Delivery Digest*, a quarterly newsletter on trends in the industry; it is $49 a year.

For the more-affluent entrepreneur, Hetherington offers a comprehensive guide, *Meal Delivery Manual*, for $595. It covers every phase of planning and running a restaurant delivery business.

Publications may be ordered by contacting Hetherington at 24275 La Hermosa Ave., Laguna Niguel, Calif. 92677; (714) 495-4345. Checks and C.O.D. delivery are acceptable. ■

BUSINESS ORGANIZATION

Closing Up Shop

I own a small consulting business that is structured as a Subchapter S corporation, and I want to close my business. What is involved in doing so?
J.C., Cortland, N.Y.

The corporations division in each state capital handles the formation and dissolution of corporations. Typically, you must file a certificate of dissolution to legally terminate your corporation. The corporations division office will provide you with guidelines on what to include in the document.

According to the New York Division of Corporations, Department of State, you must file a certificate of dissolution, in accordance with statute 1003 of the Business Corporation Law. The form you need is available at stationery stores that carry forms commonly used in legal transactions.

Send the completed form and a $60 fee (a certified check, attorney's check, or U.S. postal money order) to the New York State Department of Taxation & Finance, Dissolution Unit, State Office Campus, Albany, N.Y. 12227. The Division of Corporations office will notify you when the dissolution form has been filed. For more information, call (518) 473-2492. ■

LODGING

The Basics Of B&Bs

Where can I get information on starting a bed-and-breakfast?
C.T.C., Kenosha, Wis.
(Similar questions from T.P., Blue Hill, Maine; B.L., West Covina, Calif.; and S.P., Bluffton, Ohio)

Six bed-and-breakfast (B&B) owners interviewed by *Nation's Business* all advised that you talk with people in the business and then work for free at a B&B for several days to see what the operations involve.

Be prepared for long hours, stress, and relatively little income for at least the first

few years, say the innkeepers. You should like people, enjoy cooking, be skilled at fixing things, and have a sense of humor.

You should be aware that most bed-and-breakfasts are seasonal businesses, which can have an impact on your annual cash-flow planning.

You may want to consider buying an existing bed-and-breakfast business that has a dependable customer base and a good reputation. Good locations for B&Bs are college towns and places popular with tourists.

The Professional Association of Innkeepers International offers a free *Future Innkeepers' Packet*, which contains a list of resources on how to get started. It also includes a compatibility test. The test helps you decide if you meet the financial, personal, and professional requirements needed to run a successful B&B.

Contact the organization at P.O. Box 90710, Santa Barbara, Calif. 93190; (805) 569-1853. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space. ■

DAY CARE

A Growth Industry

Where can I get information on starting a day-care center?
S.E.M., New York City
(Similar question from P.J., Oakland, Mich.)

There are more than 80,000 day-care centers throughout the U.S., and although the demand for child care remains strong, a good center can be quite a task to start and costly to operate, says Barbara Willer, public-affairs director for the National Association for the Education of Young Children. She suggests you read the association's brochure *How to Plan & Start a Good Early Childhood Program*. It offers tips on exploring the market and setting up a program, and it lists resources for more information.

The brochure is free. Send a stamped, self-addressed business envelope to the National Association for the Education of Young Children, 1509 16th Street, N.W., Washington, D.C. 20036.

Quality Child Care Makes Good Business Sense, published by the Office of Advocacy of the U.S. Small Business Administration, is a 62-page book on the basics of starting a day-care business. Topics include obtaining licenses, marketing, and applicable tax laws. To order a free copy, write to SBA Publications, P.O. Box 15434, Fort Worth, Texas 76119. The order number is 0-234-532.

MINORITY BUSINESS

Certification Steps

Please tell me how to become certified as a minority contractor in order to do business with companies and government agencies that require such certification.
Q.H., Little Rock, Ark.

Most government agencies are required by law to do a portion of their business with women-owned and minority-owned companies.

To become an official minority contractor, you must be certified by one of the 45 regional minority supplier councils throughout the country. In order to be certified, you must be a member of a minority group, own 51 percent of the business, and be involved in the day-to-day operations of the business.

You will have to answer many questions about your business, fill out numerous forms, and open your business's books for inspection by the regional certification council.

When you are certified by one council, you are certified for all.

Certification is of little use to a company, of course, if it cannot be competitive in offering goods and services.

For a list of the councils nearest you, contact the National Minority Supplier Development Council (MSDC), which has 170 corporations as members. The organization can be reached at 15 West 39th St., 9th Floor, New York, N.Y. 10018; (212) 944-2430.

Some U.S. government agencies honor the MSDC certification; to be certified by an agency that does not recognize the MSDC, you will have to go through that agency's certification process. NB

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Phyllis M. Barrier

Reading The New Food Labels

When you're grocery shopping, do you ever try to compare the calories in two similar products—different brands of microwave popcorn, say—only to find that one product bases its calorie count on four servings per bag, and another on two?

Have you ever wanted to know how much fat was in a product, but the product didn't have a nutrition label?

Soon, all of that will change.

Almost 2,500 pages of mandatory regulations, released by the U.S. Food and Drug Administration (FDA) in January, are going to result in the most comprehensive changes in food labeling in 50 years. The new labels will give all consumers the opportunity to make more educated decisions, but they should be of particular help to people whose health problems require that they moderate their intake of specific nutrients—fat, sugar, or salt, for instance—or increase their consumption of others, such as fiber or calcium.

The new labels may appear on some products soon, although food processors have until May 1994 to comply with most of the new regulations. Regina Hildwine, director of technical regulatory affairs for the National Food Processors Association, praises the FDA for doing "a commendable job," but she says that "it is going to be a real challenge for the food industry to change all food labels and packages" by the deadline.

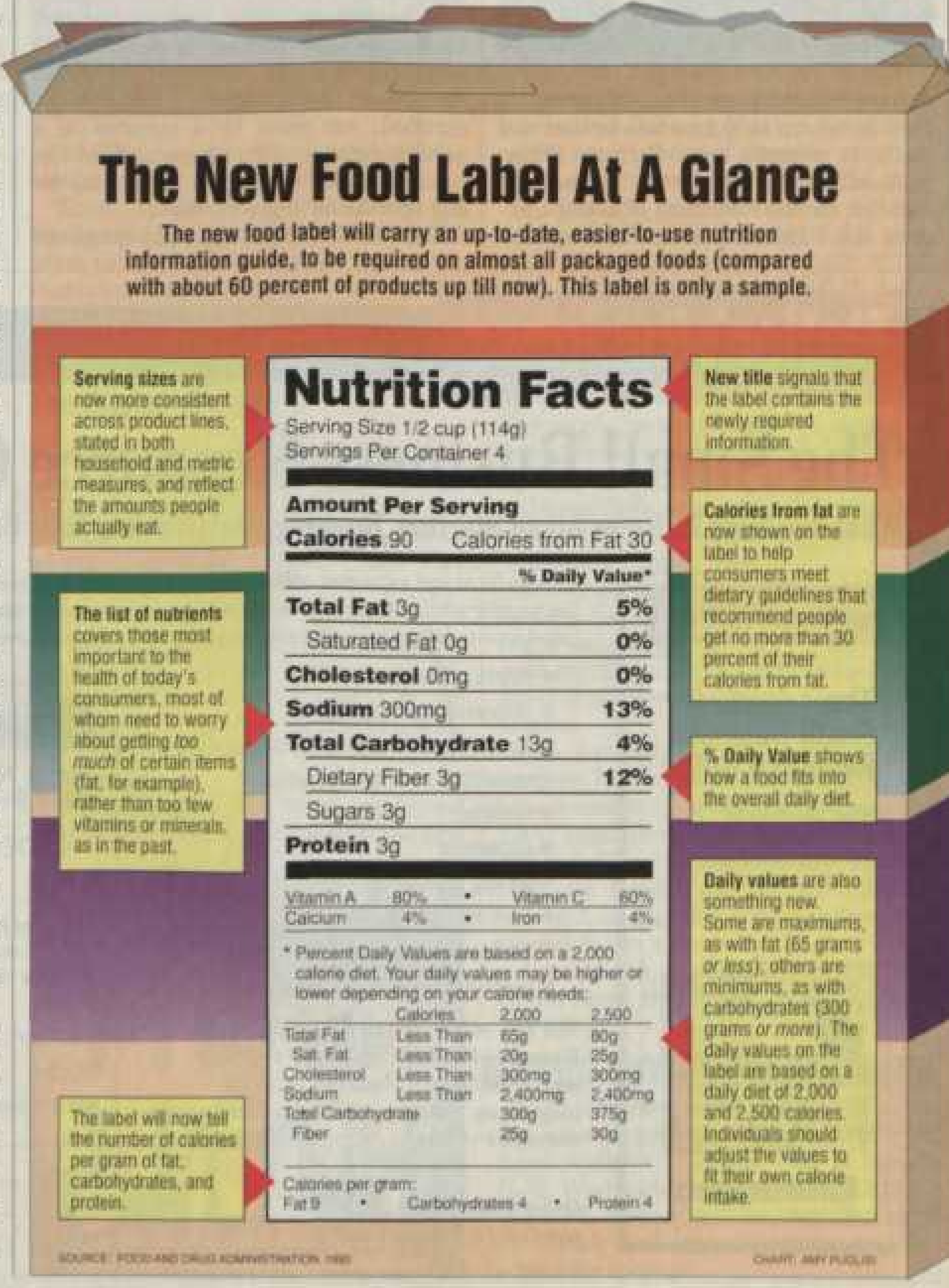
There are exemptions. Among them: food produced by small businesses with food sales of less than $50,000 per year, or total sales of less than $500,000; restaurant food; plain coffee and tea, some spices, and other foods that contain no significant amounts of any nutrients; and packages with less than 12 square inches available for labeling.

The information will be set apart in a panel titled "Nutrition Facts," where the regulations require that some dietary components be listed. They include total calories, calories from fat, total fat, saturated fat, cholesterol, sodium, total carbohydrates, dietary fiber, sugars, protein, calcium, vitamins A and C, and iron—all of the dietary components, in other words, that are critically important to healthy people as well as those with health problems. Manufacturers—if they wish—can list other components—soluble fiber or potassium, for instance.

Another major change is that the presence of all nutrients must now be stated not just in absolute terms—in grams—but as a percentage of their "Daily Value," which is the amount of each nutrient that you would consume in a balanced diet.

The FDA estimates that the new food-label requirements will cost food processors between $1.4 billion and $2.3 billion over the next 20 years. The hope is that the benefits to public health will more than justify those costs. NB

Phyllis M. Barrier is a registered dietitian and nutrition consultant in the Washington, D.C., area.



It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

Beating Inflation With Real-Estate Trusts

Real estate has been in the investment doldrums for several years, but it may not stay there much longer. "We see a bottom coming in the real-estate market," says Michael Sherman of the Shearson Lehman Brothers investment banking firm in New York. This might be the time to buy.

But who has enough money, you ask, to buy an apartment building or mall? "Fortunately, you don't have to be a Rockefeller to participate in real estate," says Ralph Seger of Seger-Elvekorog Inc., investment advisers in Bloomfield Hills, Mich. "You can play the game by putting a relatively small amount of money into a REIT," or real-estate investment trust.

A REIT is a marketable security sold on exchanges just like shares of stock. Provisions in the federal tax code allow REITs to escape corporate income taxes by paying out at least 95 percent of their net income to shareholders.

This means you're getting an almost straight flow-through of cash from income-producing properties held in the trusts' portfolios. It's like a mutual fund in the sense that you get a lot of diversification in various properties along with professional management. "The REIT industry has some of the finest management teams in the commercial real-estate industry who are finding investment opportunities in this difficult market," says Mark O. Decker, president of the National Association of Real Estate Investment Trusts.

PHOTO: EDWARD FRAZIER—FOLIO, INC.

Buy a mall—*a piece of it—with a real-estate investment trust.*

There are more than 200 REITs actively traded on the various stock exchanges. What kind should you be looking for? "Check out the track records," says Seger, "and look for a steadily rising dividend stream."

A good REIT should keep its payout rate well above inflation, Seger says. Right now, REITs' payouts are averaging around 5 percent to 6 percent a year but could go higher as the industry improves.

You can get a list of REITs and the exchanges where they can be found, plus a booklet that answers frequently asked questions, by sending 85 cents to the National Association of Real Estate Investment Trusts, 1129 20th St., N.W., Suite 705, Washington, D.C. 20036.

REITS can be purchased through stock brokers or financial planners. ■

FINANCIAL PLANNING

Suggestions For Choosing A Professional Planner

Many business people are too busy to manage their personal financial affairs adequately. Many just muddle along, investing helter-skelter. Others seek professional assistance, but they may not get the right kind of advice for their needs.

Tens of thousands of people call themselves "financial planners" or "financial advisers." Some are insurance or mutual-fund sales representatives. Some may be accountants or stock brokers. And then there are those who have certification to prove they are true financial planners.

"You go about selecting a financial planner like any other search for a professional," says Patti Houlihan, a Virginia-based financial planner and former host of the Public Broadcasting Service's television series "The Financial Adviser." Houlihan advises seeking referrals from friends, colleagues, and other professionals such as tax advisers or attorneys.

"If you don't come up with any worthwhile prospects," she says, "get some referrals from an organization that represents financial planners."

One of the biggest such organizations is the International Association of Financial Planners (IAFP). IAFP members and others who are included in the organization's Registry of Financial Planning Practitioners must meet standards for training, experience, and professional references. For a list of up to five qualified financial planners in your area, plus a brochure that outlines what a financial plan should contain and what questions you should ask prospective planners, call 1-800-945-IAFP.

When you have a list of three or more planners, Houlihan says, phone for a preliminary evaluation. Before you call, decide what kind of help you need. Is it overall money management, investing, and tax planning? Or is it limited to one field, such as estate planning?

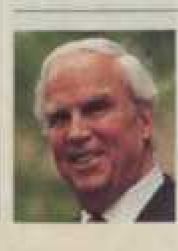
Ask if the planner works in your field of interest, how long the planner has been in business, and whether you would pay a fee only, a commission only, or both.

"A telephone call is a good way to get an idea of whether you can work with a planner or not," says Houlihan, "because it's less intimidating." You're in charge when you're on the phone.

When you have narrowed your list to, say, two planners, find out if they charge for a get-acquainted visit. When you visit a planner, find out if he or she works with people like you and what kind of a plan and follow-up help you could expect.

Check the planner's overall experience, background, and track record. Get a list of three or four references, and check each one carefully, off the record. You'd be surprised what kind of valuable information you can dig out if it's not to be quoted.

What's the biggest mistake most people make when they're interviewing prospective financial planners? Says Houlihan: "Not having the nerve to ask enough tough questions." ■



Peter Weaver is a Washington-based columnist on personal finance.

AUTOMOBILES

The Invisible Seal That Protects The Paint

Perhaps you've noticed disturbing dull spots on your new car's otherwise shiny surface. If so, what you're seeing, according to the experts, is the result of acid rain and other pollutants eating away the protective coating on the paint.

"This is nasty stuff, but it can be prevented," says Dre Brungardt, an automotive expert in Butler, Md., who publishes the *Nutz and Boltz* newsletter and hosts a nationally syndicated radio show.

For starters, he says, when you buy a new car, have the dealer apply a silicone-based protective seal to the paint. "Make sure the silicone product doesn't have any abrasive in it," Brungardt says.

Most dealers charge for this paint-prepping—usually about $110 to $120—but at some dealerships it's free. "We put a silicone seal on all our cars before they go out, at no extra charge," says Fred Hertrich, president of Hertrich Family Automobile Dealerships, an East Coast chain.

After the initial treatment, both Hertrich and Brungardt say, you should have silicone applied to the finish periodically when the car is polished. "You should do this at least twice a year," Brungardt says, "or as many as four times a year if you are in an area with a lot of pollution."

Or you can do it yourself. Silicone-based wax products cost around $10 to $12, come with full instructions, and can be purchased at most auto stores.

PHOTO: SPHS CANTOR—UNIPHOTO

Protect *the shine with silicone.*

COLLECTIBLES

A Burgeoning Market In Historic Writings

The historic-manuscript market is hot now. Two letters written and signed by President Lincoln during the Civil War recently sold for over $1 million each.

"Some rare papers are rising in value as much as 30 to 40 percent a year," says Jim Blanchard III, president of Jefferson Rarities, a New Orleans rare-document catalog dealership. But you don't have to be a multimillionaire to buy rare papers, signatures, and documents. You can get some interesting items for $200 or less.

For example, an autograph of President Franklin D. Roosevelt, purchased for $60 in 1985, was sold recently for $150. An autograph of President James Buchanan bought in 1985 for $75 now sells for $200.

Although handwritten and signed letters by such historic figures as Abraham Lincoln, George Washington, Thomas Jefferson, and Robert E. Lee are rare and priced out of reach for most novice collectors, some intriguing bargains can be found among the signatures of lesser-known historic figures. Blanchard's catalog, for example, offers a document signed by Josiah Bartlett, a signer of the Declaration of Independence, for $200.

"Your purchases will increase more rapidly in value," Blanchard says, "if you concentrate on one area or theme that may be of personal interest, such as signers of the Declaration of Independence, Civil War generals, or first ladies."

Richard Spring, who owns Georgetown Galleries, in Washington, D.C., notes "that there are all sorts of factors that go into making up the price." A handwritten letter by a president, for example, may be worth many times more than a typed letter with a signature. "President Eisenhower rarely wrote any of his letters," he says, "so a handwritten and signed note with interesting, historical content could be worth as much as $3,000 to $5,000." Typed letters signed by Ike can go for as little as $250.

"Another keen area of interest," Blanchard says, "is antique American newspapers dating from colonial days to Custer's Last Stand."

You can find examples of historic documents, autographs, and antique papers in a 272-page illustrated catalog published by Blanchard's company, Jefferson Rarities. The price is $20. For more information, call 1-800-877-8847.

The Manuscript Society, made up of collectors and dealers, puts out *Manuscripts*, a quarterly publication containing advertisements with names and addresses of most major catalog dealers. An individual membership is $25 a year.

For more information and a sample copy of the publication, write to David R. Smith, executive director of the Manuscript Society, at 350 North Niagara St., Burbank, Calif. 91505.

ESTATE PLANNING

Keep A Watchful Eye On Congress' Initiatives

If you have a fairly substantial financial estate, be it a family business, a farm, equity in your home, or other appreciated investments, keep an eye on Congress this spring. "They're playing with dynamite," says New York attorney Edward S. Schlesinger, an expert on estate law, referring to legislative proposals that could, in the long run, significantly increase the tax on personal estates.

Here are some of the possibilities being considered on Capitol Hill:

- Taxing the capital gains on property at death or when the property is sold. Currently, there is no capital-gains tax at death. The tax basis is stepped up to the date-of-death value. There is no income tax on pre-death appreciation.
- Decreasing the $600,000 exemption to $400,000, $300,000, or even $200,000, making for a much bigger estate-tax bite.
- Raising the current 55 percent maximum estate tax and generation-skipping tax to 60 percent or 70 percent.

Of those possibilities, taxing capital gains at death could be the worst, Schlesinger says, because "family property could be virtually wiped out at death."

"A lot of trial balloons on this subject are going to be floated out to the public over the next few months," says Alexandra Armstrong, a Washington-based financial planner who has her own firm.

What can you do? "Not much right now," Schlesinger says, explaining that you have to wait until you see what tax legislation is actually passed, and whether it's retroactive, before you can make any effective move to protect yourself.

Both Schlesinger and Armstrong advise people who have substantial estates to keep on top of the news, and phone, fax, or write their members of Congress if they spot proposed legislation that would seriously affect their assets.

A Way To Check Up On Trust Accounts

If you think your trust-account inheritance is being whittled away by high fees and poor management, you might want to look into Heirs, Inc., a consumer support group. "We show members how to evaluate management of their funds and how to spot hidden fees," says Standish H. Smith, executive director. "In some cases," he says, "trust income can be reduced by more than a third because of mismanaged portfolios and excessive fees."

Heirs, Inc., based in Villanova, Pa., provides members with a newsletter, special reports on subjects such as how to select a trustee and how to change trustees, plus a problem-solving hot line. Membership is $35 each six months. For more information, call (215) 527-6260. NB

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

HOUSEHOLD WORKERS

Your Responsibilities As An Employer

You may not be a nominee for attorney general, but if you hire an illegal immigrant as a nanny, babysitter, butler, gardener, or other household employee, you have two sets of problems to deal with: the immigration laws and the tax laws.

A violation of the immigration laws may be hard to correct. An employer can try to obtain legal status for an illegal immigrant, but approval can take over 15 years. During that time, the immigrant is prohibited from working and could be deported.

PHOTO: GINA WEXLER—FOLIO, INC

Helping hands: *The laws are strict on hiring at home.*

Failing to comply with the tax laws, too, can cause problems. If the immigrant works part time for you, you can argue that the person is an independent contractor, not an employee, and thus you are not obliged to file the forms and pay the taxes required of you for employees. But it is hard to convince the Internal Revenue Service that a household worker is an independent contractor.

The question of whether a worker is an independent contractor or an employee depends on all the facts and circumstances of each particular case. Generally, an individual is an employee if the "employer" has the right to control and direct the "employee" as to the details and means by which a result is accomplished.

The IRS has developed 20 factors to be considered in making this determination. Among those factors that would tend to show an employer/employee relationship rather than an independent-contractor arrangement are:

- A requirement that the work must be performed only by that particular person;
- Precise instructions and supervision by the employer;
- Employer-furnished tools and materials;
- Full-time employment by the one employer.

Household workers rarely qualify as independent. As a last resort, it might be possible to fall back on a little-known provision allowing reliance on industry practice. It is not at all clear, however, that the erroneous treatment of household workers as independent contractors is an industry practice.

Michael Maggio, an immigration attorney in Washington, D.C., says that the penalties for a first-offense violation of the immigration laws can be $250 to $2,000 for knowingly hiring an unauthorized alien; multiple offenses call for a $10,000 fine and criminal charges; and there's a fine of $100 to $1,000 for failure to complete and retain on file a Form I-9, Employment Eligibility Form, or for completing one improperly.

Here are the IRS requirements if you employ household workers—whether they are illegal or legal. Household workers include those who work in or around an employer's private home, such as cooks, waiters, waitresses, butlers, housekeepers, governesses, maids, cleaning people, valets, babysitters, janitors, laundresses, caretakers, odd jobbers, gardeners, and drivers of cars (chauffeurs) for family use.

- File Form 942 each quarter and Form W-2 annually if you pay cash wages of more than $50 in any quarter. The employee and the employer each pay 7.65 percent of the wages for Social Security and Medicare taxes. Some employers also pay the employee's share.
- File federal unemployment tax returns (Form 940 or 940EZ) if you pay cash wages of $1,000 or more in a quarter. You also may have to pay state workers' compensation fees depending on your state.
- Apply for an employer identification number by filing Form SS-4.

What about the past years in which the illegal immigrant was employed? This often comes up when the employee files for Social Security benefits and discovers that he or she is ineligible for Social Security and also is liable for back taxes, penalties, and interest.

In order to correct a failure to comply in the past, one must file all the tax forms and pay back taxes, interest, and possible penalties. However, the amounts involved could be prohibitive.

A taxpayer who wants to file the proper forms but lacks sufficient assets or income to pay the liabilities owed to the IRS may be able to work out a compromise or a payment plan with the service.

Some may choose not to pay in full all back taxes, interest, and penalties. Although the IRS is not targeting household employers for audits, those who are discovered could find the cost of noncompliance severe. Besides the tax and interest, you can be assessed very substantial penalties.

For a complete set of the forms needed by a household employer, call the IRS at 1-800-TAX-FORM and ask for Package 942, Household Employer Tax Forms.

A bill now under consideration in the House Ways and Means Committee would allow employers to file domestic employment taxes and Social Security payments annually rather than quarterly. The measure, sponsored by the committee's chairman, Illinois Democrat Dan Rostenkowski, also would increase the threshold for filing to $300 a year from $50 a quarter.

These changes would help simplify the tax filings somewhat. In the meantime, see your accountant to help you untangle the tax requirements. NB

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

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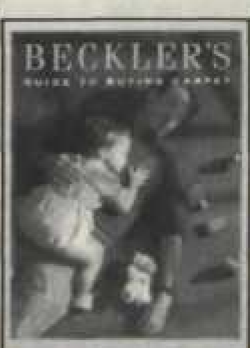

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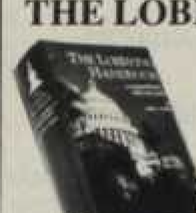

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3. No significant impact

4. **Should federal spending be increased on such Clinton priorities as the infrastructure, technology development, and job training?**

1. Yes
2. No
3. Undecided

5. **Are the president's proposals on capital gains, investment tax credits, and other growth incentives adequate?**

1. Yes
2. No
3. Undecided

3. **How would his plan affect your business?**

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POLL RESULTS

Readers' Opinions On Regulation

The new administration should examine the impact of federal rules, say respondents to our Where I Stand poll.

By David Warner

An overwhelming majority of readers responding to a *Nation's Business* poll said the Clinton administration should take a close look at the impact that new federal regulations will have on business. Respondents to the Where I Stand poll also strongly supported a measure requiring that economic-impact studies accompany legislative and regulatory proposals.

Results of the poll are sent to top officials in the White House and Congress.

Respondents indicated that they want the new administration to continue the policy of scrutinizing federal rules, which was begun in the Bush administration's final year.

Ninety-four percent of the respondents said the Clinton administration should limit the number of new regulations imposed until it determines the overall impact of a backlog of pending rules, which were put on hold through a nearly yearlong moratorium issued by President Bush in late January 1992.

The Bush moratorium called on federal agencies to weigh the expected benefits of new rules against their projected costs, and 97 percent of the survey respondents said the new administration should continue such a practice.

Eighty-two percent of the respondents want legislation requiring economic-impact studies for legislative and regulatory proposals. Only 8 percent opposed such a requirement.

Such a proposal was introduced by Reps. Richard Baker, R-La., and James Hayes, D-La., and Sens. Don Nickles, R-Okla., and Harry Reid, D-Nev., in this session of Congress. Similar legislation was introduced last year, but no action was taken on it.

PHOTO: T. MICHAEL KEZA

Sen. Don Nickles: *"Change federal rules and regulations that could . . . cost jobs."*

Nickles also recently created the Senate Regulatory Reform Council, as part of the Senate Republican Policy Committee, to "stop or change federal rules and regulations that could waste money and cost jobs."

If respondents had to choose between greater federal-agency oversight of business to help it comply with regulations and increased penalties for noncompliance with regulations, nearly two-thirds said they would prefer increased oversight; one-third would prefer increased penalties.

In recent actions that could indicate how the Clinton administration may view regulations, the White House abolished the Council on Competitiveness, an organization within the Bush administration that considered the impact of federal rules. The White House also abolished the Council on Environmental Quality and replaced it with a White House Office on Environmental Policy, a move expected to give Vice President Al Gore more control over environmental initiatives.

Readers said they expect to see the most regulatory activity under the Clinton administration in the area of employee benefits (35 percent), with the environment a close second (34 percent). Twenty percent of respondents believe workplace health and safety will see the greatest activity.

Federal regulations cost the economy more than $400 billion a year, according to a study by Thomas D. Hopkins, a professor of economics at the Rochester Institute of Technology, in Rochester, N.Y. ■

REGULATION

Should the Clinton administration limit the number of new regulations imposed until it determines the overall impact of the pending backlog of new rules?	1. Yes 2. No 3. Undecided	94% 3% 3%
Should the Clinton administration insist that federal agencies weigh the expected benefits of new rules against their projected costs?	1. Yes 2. No 3. Undecided	97% 2% 1%
Should Congress pass legislation requiring that economic-impact studies accompany legislative and regulatory proposals?	1. Yes 2. No 3. Undecided	82% 8% 10%
What area will see the most regulatory activity under the Clinton administration?	1. Workplace health and safety 2. Environment 3. Employee benefits 4. Other	20% 34% 35% 11%
Would you prefer increased federal penalties for failure to comply with regulations or greater federal-agency oversight of business to help it comply with regulations?	1. Increased penalties 2. Greater oversight	33% 67%

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If You Want Anything, Just Signal

At Your Service isn't a slogan at **Carmelita's Restaurant**, in Folsom, Calif. It's a small device that customers use to call servers.

The battery-operated unit

By Janet L. Willen

has a D-shaped base, approximately 6 inches in diameter, and extending from it is a 10-inch-high clear plastic sleeve on the rounded side. Push the button at the base, and the sleeve lights up red to signal that help is needed.

One At Your Service goes on each table. Restaurants can decorate the unit by placing a jar of condiments, a bottle of wine, or a vase with flowers on the base.

Carmelita's owners, Abdul and Amilbia Hafeez, invented the unit and sell it for $29.95. It is available with a black or gray base. For more information, call (916) 989-4700.

For The Desk Set

Out of staples? That's not a problem with the Stapless Stapler, from **Jende Innovations & Marketing Co.**, of Brampton, Ontario. The stapler binds up to five sheets of paper by punching pages together.

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A Hot Topic

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The LavaPac is a portable, nonelectric heating pad. Put it in the microwave for five minutes, and its nontoxic thermal fluid stays warm for up to four hours. It can also be refrigerated to provide cold treatment. The LavaPac comes in two sizes: 7 by 11 inches for $14.95, and 10 by 14 inches with straps for $19.95. Vesture also sells Lava Booties Heated Slippers and Lava- Buns to provide warmth to chilly feet and seats.

To warm your feet, you remove pads from the Booties, place them in the microwave for one minute, return them to the shoes, and they'll release heat over six hours. For a warm derrière, place the Lava-Buns in the microwave for five minutes and sit on them for eight hours of warmth. Lava Booties cost $34.95, and the LavaBuns sell for $29.95.

For more information, call 1-800-462-4201.

Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.
Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Urge Better Infrastructure

ILLUSTRATIONS: RICHARD GAGE

Congress soon will consider legislation authorizing additional investment in the construction, repair, and maintenance of the nation's highways, bridges, airports, railways, and water facilities.

Enacting the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was an important step toward providing adequate funding for infrastructure improvements and giving states and localities new flexibility to use their money to meet their specific infrastructure needs.

However, actual appropriations for highway and other transportation programs have been considerably below the levels authorized by ISTEA.

According to the U.S. Chamber of Commerce, continued insufficient funding and inadequate management of America's infrastructure programs have hindered business's ability to exchange goods and services efficiently and cost-effectively, increase productivity, and maintain international competitiveness.

Compounding problems that have arisen from insufficient investment are related issues that need to be resolved. These issues include environmental impediments, cumbersome regulations, and use of taxes earmarked for infrastructure-related purposes to offset the federal budget deficit.

Although the price of infrastructure reform would not be cheap—estimates are in the range of $1 trillion to $3 trillion—such costs will actually stimulate private investment and lead to increases in the country's gross domestic product, according to some studies.

Contact your senators and representative. Urge them to support legislation that would rebuild the nation's infrastructure and lead to greater economic stability, enhanced international competitiveness, the creation of new jobs and new technologies, and an improved quality of American life. ■

New Opportunity On Product Liability

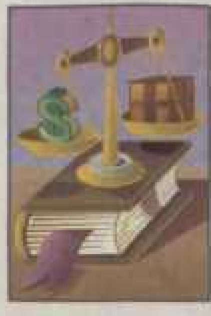
Business's crusade for uniform federal rules governing product liability will continue in the 103rd Congress, and strong bipartisan support is expected in both houses of Congress.

A Senate measure that was expected to be introduced in late March is similar to the legislation that almost was voted on by the full Senate last September.

A House bill is likely to be introduced in April.

A federal product-liability law is essential because the current patchwork of conflicting state liability laws has made it nearly impossible for U.S. companies to understand their rights and obligations in this area.

For example, a claimant can win a product-liability suit in one state only to lose a similar suit in another.



Consequently, manufacturers have been compelled to insure against an ever-expanding and unpredictable sea of liability claims. This raises manufacturing costs, and the increases are passed on to wholesalers, retailers, and consumers.

Moreover, nearly 50 percent of American manufacturers have chosen to withhold new products from the marketplace because of liability concerns.

The U.S. Chamber of Commerce believes that a clear and uniform national product-liability law is needed to better define the responsibilities of parties that manufacture, sell, and use products. It should strike a balance between the rights and duties of individuals and the financial and competitive restraints that confront manufacturers and product sellers. Such a system, the Chamber asserts, would lower manufacturing costs, increase innovation and product choice, and improve the competitiveness of U.S. business in world markets.

Urge your senators and representative to support product-liability reform legislation. ■

Restricting Land Use

Policy-makers in Washington soon will consider several issues affecting the use of federal—and private—lands.

Many businesses, including timber operations, ranches, mining concerns, and recreational-equipment companies, depend on the resources of federal lands.

The U.S. government owns 688 million acres of land—about one-third of the United States. Economic activities are already prohibited or restricted on more than 275 million of those acres. But preservationists—and their congressional allies—want to lock up more land.

Lawmakers are expected to take up, among other legislation affecting land use, reauthorization of the Endangered Species Act and bills seeking to set aside federal lands as wilderness areas.

The Endangered Species Act, which expires this year, protects plants and animals on the federal endangered-species list, usually by limiting both federal and private land use.

Lands that are designated as wilderness are off limits to nearly all commercial activity.

There are currently 97 million acres in the Wilderness Preservation System. Measures to add more than 100 million acres, many of which contain vast amounts of natural resources, such as timber, minerals, oil, and natural gas, are expected in the 103rd Congress.

Debate is expected also on efforts to preserve wetlands and old-growth forests, and to prohibit oil and gas exploration on the Outer Continental Shelf.

The U.S. Chamber of Commerce believes that the federal government must balance environmental concerns with the economic uses of federal lands.

Contact your senators and representative. Urge them to support environmental legislation that balances ecological values with economic development while respecting private-property rights. NB

Editorial

Why Spending Cuts Must Come First

Since 1960, federal spending in real terms (after factoring out inflation) has gone up 225 percent while revenues have increased 152 percent. Because of that gap, the total federal debt of $290 billion in 1960 has grown to *$4.4 trillion.*

The chart on this page shows how, in current dollars, the revenue/spending lines have pulled away from each other and continue to diverge. Note the consistency of revenue growth. It has been helped by major tax increases and a long economic boom. But the forces pushing the spending line up were even stronger.

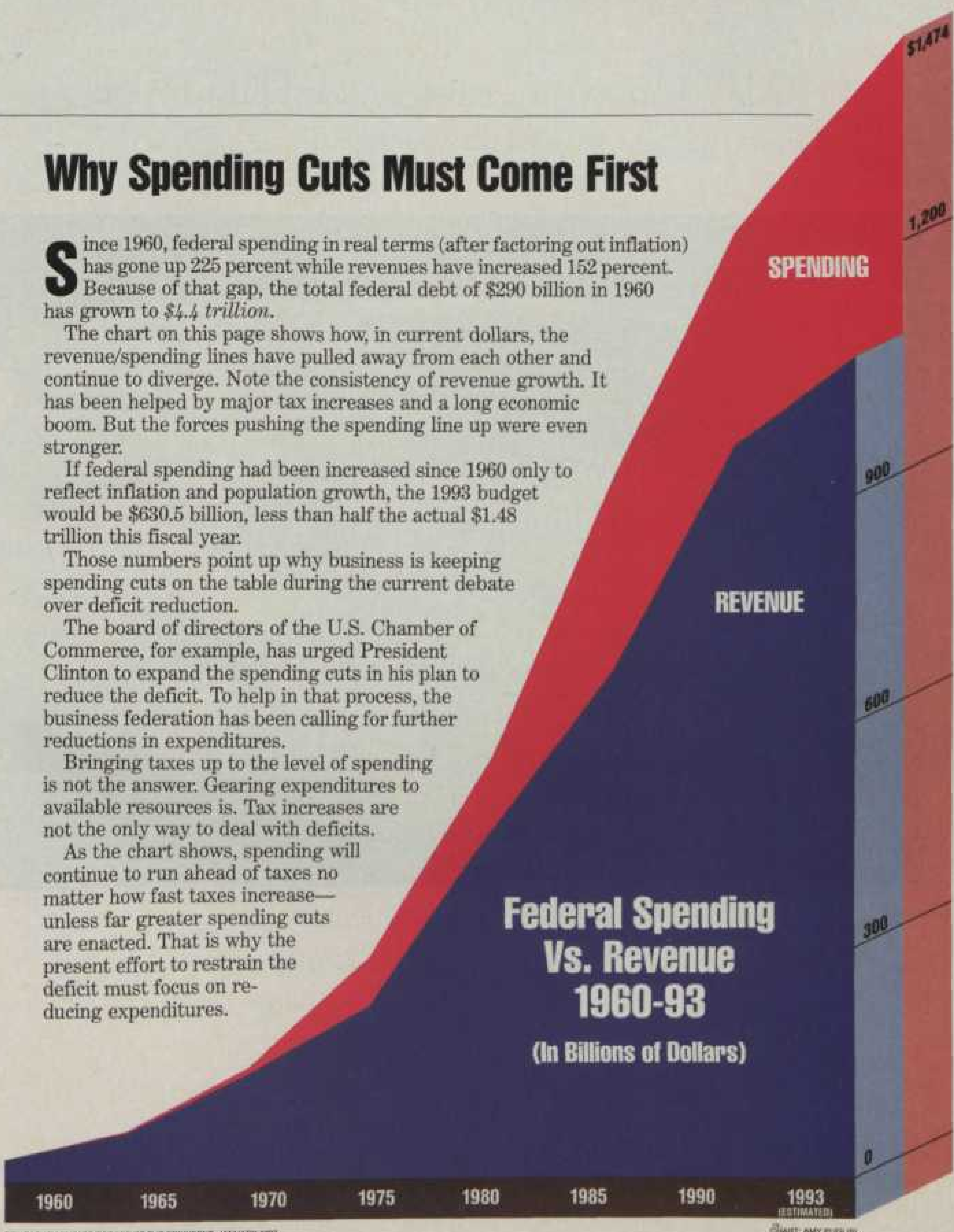
If federal spending had been increased since 1960 only to reflect inflation and population growth, the 1993 budget would be $630.5 billion, less than half the actual $1.48 trillion this fiscal year.

Those numbers point up why business is keeping spending cuts on the table during the current debate over deficit reduction.

The board of directors of the U.S. Chamber of Commerce, for example, has urged President Clinton to expand the spending cuts in his plan to reduce the deficit. To help in that process, the business federation has been calling for further reductions in expenditures.

Bringing taxes up to the level of spending is not the answer. Gearing expenditures to available resources is. Tax increases are not the only way to deal with deficits.

As the chart shows, spending will continue to run ahead of taxes no matter how fast taxes increase—unless far greater spending cuts are enacted. That is why the present effort to restrain the deficit must focus on reducing expenditures.



Federal Spending Vs. Revenue 1960-93

(In Billions of Dollars)

SOURCE: ECONOMIC REPORT OF THE PRESIDENT, JANUARY

CHART: AMY PUGLISI

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Chamber Chairman Ivan W. Gorr, left, and Richard L. Lesher, president, present the National Business Agenda to President Clinton.

Chamber Presents Business Agenda To President

See Next Page

Special Report On Chamber's Health-Care Policy, Page 88

The Economy

Chamber Urges Fiscal Restraint

The U.S. Chamber of Commerce has given President Clinton and the Congress a comprehensive policy blueprint urging them to "set the stage for expanded, sustained economic growth."

The business federation's National Business Action Rally Feb. 23 was the setting for the presentation to Clinton of the 1993-94 National Business Agenda, *Renewing American Enterprise*.

Copies were also sent to members of Congress, and participants in the rally met with their respective members of Congress on Capitol Hill to seek their support for the agenda, whose key proposals include a call for "tough" spending restraint.

Ivan W. Gorr, newly installed 1993-94 chairman of the Chamber, and Richard L. Lesher, president, turned the policy document over to Clinton.

The agenda was developed through the Chamber's policy-making process that included five regional meetings on issues of concern to members throughout the country; monthly and bimonthly polls of members' views; deliberations of the board of directors, including the work of its executive committee and committees on specific issues; and the contributions of the Small Business Council, which is made up of Chamber members.

In addition to economic and fiscal policy, the agenda also recommends policies the government should adopt on health care, regulatory reform, education/training, international trade, the transportation/telecommunications infrastructure, and improving the civil-justice system.

"I don't want to raise one penny of this money [in tax increases] unless we have the spending cuts. Not a penny."

The introduction to the Chamber agenda states: "We must build the foundation for America to meet the global economic challenges of the 21st century."

(A detailed report on the National Business Agenda appeared in the March issue of *Nation's Business*.)

The presentation of the agenda to Clinton preceded his speech, which in many ways reflected key provisions of the Chamber's program.

The day before Clinton spoke, the Chamber's board of directors issued a statement supporting his goals but calling for revisions in the plan itself to put more emphasis on spending reductions and tax incentives to spur investments.

Here is the text of the statement:

"The U.S. Chamber of Commerce applauds President Clinton's goals of reducing the deficit, cutting spending, creating jobs, and stimulating the economy. The spending cuts can and should be expanded. The Chamber will make recommendations for investment incentives and further reductions in spending, and will insist that spending cuts be implemented before any new or increased taxes are enacted. Any

Continued on page 97.

S Corporations

Chamber Works With White House

The U.S. Chamber of Commerce is working closely with the Clinton administration on the business organization's efforts to modify proposed increases in taxation of Subchapter S corporations.

Profits of Subchapter S corporations are taxed as income to shareholders, and the Clinton proposal to effectively increase the marginal rate on individual returns to 39.6 percent would "be particularly punitive to S corporations," the Chamber says. Approximately 1.5 million small companies are S corporations.

A key provision of the Chamber's proposal would limit the top tax rate on undistributed earnings of S corporations to the present maximum tax of 31 percent.

Undistributed income is allocated as taxable income to the shareholder, although the funds are retained by the corporation for expansion or other purposes.

As the Chamber was working on its S-corporation proposal with the White House, a key lawmaker on economic policy was raising another aspect of that issue at a meeting of business representatives and trade-association officials at the Chamber's headquarters.

Sen. Phil Gramm, R-Texas, one of Congress' leading budget authorities, said that "about 70 percent of the taxes paid through individual returns by the top 1 percent of all income earners are paid by principals in Subchapter S corporations."

Sen. Gramm: Clinton tax plan hits S corporations too hard.

These are the same individuals whom Americans are counting on to create jobs and keep the economy on the road to recovery, he added.

Gramm pointed out that Clinton had not revealed in his campaign the broad tax-increase plan he has now proposed.

■ Highlights

The National Business Action Rally

The national designees in the Blue Chip Enterprise Initiative for 1993 were honored at the U.S. Chamber's National Business Action Rally Feb. 23. From left to right are Jim and Stacee Cover, of CVR/Montana Furniture Galleries, in Bozeman, Mont.; George Lopez, of ICU Medical, in Irvine, Calif.; Constantine "Deno" Macricostas, of Photronics, in Brookfield, Conn.; and G. Rives Neblett, of Shelby Die Casting, in Shelby, Miss.

Ivan W. Gorr (center), 1993-94 U.S. Chamber chairman, and William C. Marcil, 1993-94 vice chairman, greet President Clinton upon his arrival at the U.S. Chamber rally.

1992-93 U.S. Chamber Chairman H. William Lurton delivers his farewell address at the rally, outlining the Chamber's accomplishments over the past year.

PHOTOS: T. MICHAEL KEZA

■ Health Care

Chamber Health-Care Policy:

The U.S. Chamber of Commerce is defending its members' interests in the evolving health-policy debate with a market-based plan that rejects the extremes of a government-run system and mandated coverage regardless of employers' ability to pay.

With the Clinton administration due to announce its health-care reform proposals to the nation by early May, the Chamber has presented its recommendations to the White House as "a foundation for an effective reform strategy." (The text of the guidelines appears on Page 100.)

"We are determined to keep the focus of this debate on our long-held principle that efficiency and cost containment can be achieved only through a market-based, privately managed system," said Richard L. Lesher, president of the U.S. Chamber.

And, he added, the federation will aggressively oppose any coverage mandate "that forces job loss and business failure." At the same time, the Chamber cites universal coverage as essential to the success of health-care reform. To that end, it would accept a requirement for coverage of employees and their dependents but only if government subsidies were available to employers and employees unable to pay the full cost of premiums.

One result of such a requirement, the Chamber says, would be the end of the present unfair arrangement in which companies that cover their workers are forced to subsidize those that don't.

While the Chamber guidelines on health-care reform were adopted by the board on Feb. 23, they evolved from long-standing Chamber policies.

The organization has fought for years for such changes as allowing a 100 percent deduction for health-insurance premiums paid by self-employed individuals (it was 25 percent, but even that has lapsed), administrative-cost reductions through malpractice and process reforms, use of national medical-practice guidelines, action against proliferation of excess equipment and facilities, and elimination of government barriers to cost containment.

These are among the key goals of the recently adopted Chamber guidelines:

■ All Americans should have access to adequate health care.

■ A basic package of health-care benefits should form the core of such coverage.

■ Small businesses should be able to gain advantages of scale by purchasing health insurance through cooperative arrangements. Individuals not covered through their employment should have the same option.

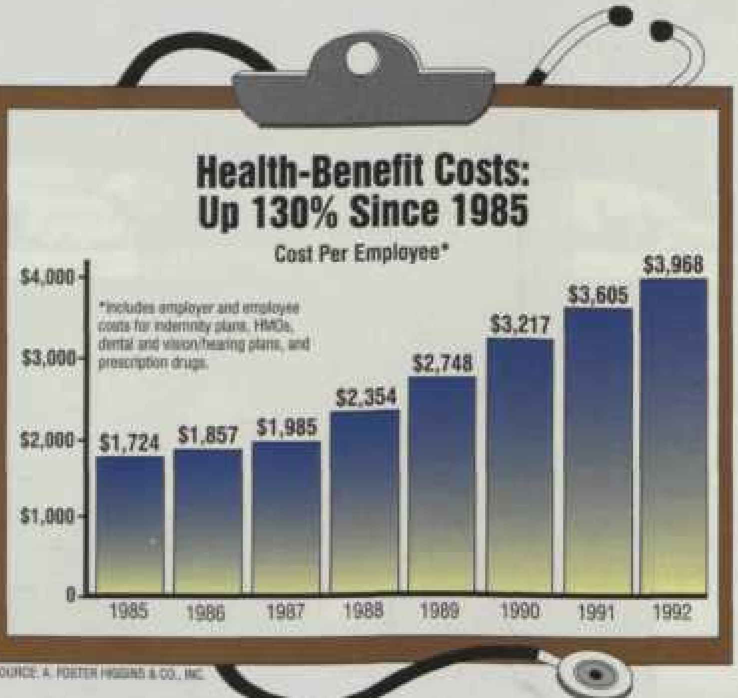
■ Medical providers should be rewarded for offering cost-effective care and consumers for choosing it.

■ Providers should compete on the basis of price and quality of care rather than through cost advantages resulting from rejection of patients needing potentially expensive treatment.

■ Fee schedules and performance outcomes of providers should be available to patients.

This approach is known as "managed competition" because it is designed to control costs and improve efficiency while extending coverage to those now without it. It is managed in the sense that proven market techniques are applied to the serious problem of runaway medical costs, not because some single entity is given responsibility for running it.

The goal of managed competition is to restructure the purchase and delivery of health services, using market forces to restrain costs and improve quality. A key element of this approach, the board noted, is that everyone participate and pay a fair share—business, individuals, and government.



SOURCE: A. FOSTER HIGGINS & CO., INC.

A plan to manage costs, the Chamber board said in adopting its guidelines, "offers the best opportunity to achieve universal coverage at acceptable cost."

Under managed competition, small companies and individuals would buy their health insurance from large, regional cooperatives. The co-ops would use their purchasing power to bargain for lower rates. And they would impose new quality standards on health-care providers. Tax-law changes would give everyone the same deduction for health-insurance costs.

Insurers, doctors, and hospitals would compete on price and quality to do business with the regional co-ops. All insurers would be required to offer the basic-coverage plan, defined by a national health board. Only insurers that met underwriting and quality standards would be allowed to sell their insurance plans to co-op members.

For instance, insurers would no longer be allowed to turn away individuals with pre-existing medical conditions or groups with members who have such conditions. Premiums would be uniform rather than vary with medical history. In addition, the co-ops would require insurers to produce quality "report cards" for the public to use in comparing treatment outcomes and patient satisfaction.

The board's action is the result of a two-year analysis of the growing impact of health-care trends on all businesses, whether or not they carry health insurance for their employees.

"Foundation For Effective Reform"

Here are the factors that entered into that board analysis:

The Cost Impact

Employer-sponsored health plans make up the most common source of health insurance for American workers and their dependents, providing coverage for nearly two-thirds of those under age 65. Over the past decade, the spiraling cost of providing that coverage has grown into a major burden for those with insurance, and a major barrier to those who would like to purchase it.

Between 1984 and 1992, one study shows, the average cost of health benefits rocketed from $1,645 per employee to $3,968, a 142 percent increase.

Total national health expenditures hit $840 billion last year, claiming 14 percent of the nation's output, up from 9.1 percent in 1981. Total spending is expected to reach $940 billion this year and is projected to claim at least 18 percent of the nation's output by the year 2000.

The Uninsured

Even as costs spiral out of control, the ranks of the uninsured continue to grow. An estimated 36 million Americans have no health insurance.

That statistic can be misleading in the context of the current debate. Individuals without insurance are not barred from medical services.

Under the present voluntary system, many people "opt out" by refusing to buy health insurance. They nevertheless receive treatment when needed. This treatment is financed through cost shifting, in which the cost of medical services and insurance premiums for businesses that do insure their employees is increased to recover costs for the uninsured.

Businesses that insure their workers are thus involuntarily paying for the uninsured under the present system. Conversely, businesses that do not insure their workers are being subsidized by those that do. How long the latter will accept this inequity is a matter that business generally must address itself.

In the U.S. Chamber view: "Agreeing to provide and help pay for insurance in a reformed and improved system is cheaper for business in the long run than either the current system or an ultimate imposition of government control."

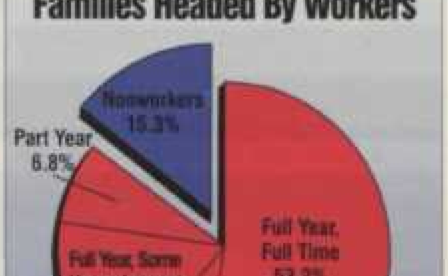
Affordability/Accessibility

The key to making health insurance available to all Americans is participation by both employers and employees.

The U.S. Chamber has long opposed adoption of a federal mandate that would force employers to provide health insurance to workers without recognition of an employer's ability to pay.

The Chamber held that any such requirement would cause business failures and job losses, leaving many workers not only uninsured but unemployed. That remains the Chamber's position.

85% Of The Uninsured Are In Families Headed By Workers



SOURCE: EMPLOYEE BENEFIT RESEARCH INSTITUTE

While favoring the abolition of cost shifting from one business to another and from government to business, the Chamber says:

"It also must be recognized by all concerned that some businesses do not and cannot participate fully because they simply can't afford it. A mandate that forces job loss and business failure is unacceptable. And there are also some individuals who cannot afford medical coverage.

"The Chamber will fight any health-insurance mandate that does not include adequate subsidies for low-wage workers and their employers, who are primarily small businesses."

Under a subsidy approach, the employer contribution would be capped at some percentage of payroll and the low-wage employee's at some percentage of income, with the subsidy taking effect at each of those points.

The Options

The Chamber's Health and Employee Benefits Committee reviewed and rejected a number of options. Guiding its deliberations was the overriding principle that only a market-based, privately managed system can deliver efficiency and achieve true cost containment.

Among the options considered were the status quo, in which virtually all problems related to medical services are getting worse; a tax-financed, government-run system, which the board viewed as a high-cost, low-quality approach; mandates on individuals or employers; and a system built on market-oriented competition.

A government mandate that individuals purchase their own health coverage directly was rejected not only as an excessive burden on those individuals but also because it would eliminate the benefits of pooled buying of insurance.

A mandate that all employers purchase health insurance for their workers without respect to financial ability was also rejected. An unacceptable variation of this approach would require employers to pay a payroll tax to support a government health plan in lieu of purchasing coverage for their employees.

The Chamber rejected this "play-or-pay" approach on the ground that it doesn't take into account the financial strain such a mandate would have on many small companies. The Chamber concluded that managed competition was the only reform model that preserved the good points of the current health-care system while reforming the bad.

As the health-care debate evolves, in fact, managed competition is the only reform model that enjoys broad support.

While details of the Clinton plan are yet to be announced, it is already known that managed competition will be its centerpiece.

The Chamber puts it this way: "Managed competition is widely regarded as the last chance for the free market to deliver major health reform before Congress feels compelled to enact a government-run system."

■ Capitol Hill

Lawmakers Hear Views Of Business

Representatives of state and local chambers of commerce from across the country came to Washington in late February with an important mission: to present the U.S. Chamber's National Business Agenda for 1993-94 to their respective congressional delegations.

In numerous meetings on Capitol Hill, the business representatives discussed the legislative and regulatory priorities outlined in the agenda and their own local business concerns.

The meetings followed the presentation of the agenda to President Clinton at the National Business Action Rally Feb. 23.

The National Business Agenda details the Chamber's priorities and recommends solutions to the country's short-term and long-term economic and other structural problems.

It was formulated by U.S. Chamber members through a series of regional meetings; the Chamber's public-policy committees; and the organization's board of directors.

At left, Paul R. O'Connell Jr., right, president of the Blackstone Valley (Mass.) Chamber of Commerce, discusses business issues with Sen. Edward M. Kennedy, D-Mass., following the U.S. Chamber of Commerce's National Business Action Rally.

Below, Sen. Dave Durenberger, R-Minn., left, listens to representatives from Minnesota chambers of commerce. To Durenberger's left are Darril Wegscheid, with 3M in St. Paul, Minn.; Richard G. Hadley, president of the St. Paul Area Chamber of Commerce; Donald Jordan, with 3M; and Norbert Conzemius, president of First Bank, in St. Paul.

Greater North Dakota Association President Dale O. Anderson, left, and Chairman-elect Pete Haug, right, listen as Sen. Kent Conrad, D-N.D., makes a point.

Greater North Dakota Association Board Chairman Patti Hanson talks with Sen. Byron Dorgan, D-N.D., at a reception for the North Dakota delegation that attended the National Business Action Rally.

Robert E. Bellavance, left, president of the Montgomery County (N.Y.) Chamber of Commerce, and Herbert D. Brewer, right, president of the Tompkins County (N.Y.) Chamber of Commerce, give a copy of the U.S. Chamber's National Business Agenda to Rep. Sherwood L. Boehlert, R-N.Y.

PHOTOS: [illegible]

What Makes a Consultant Successful?

America has been called "The Land of Consultants." Over 400,000 are engaged in that profession. Yet only 11% of the consultants in this country earn more than $50,000 per year, according to IRS figures. And unfortunately, most consultants struggle just to get by.

By contrast, the really successful earn well over $100,000 per year. And earnings of $250,000 per year and even more are not uncommon. Four skills set apart the super successful:

1. Identifying your clients' key needs.

2. Solving problems your clients can't solve themselves.

3. Profiting from your efforts.

And the skill every consultant needs most:

4. Marketing your services effectively.

You undoubtedly have the expertise in your field. But *unless you are able to effectively market yourself, you will never achieve the income you deserve.*

Whether new or established, you can be a highly paid, successful consultant in your own field by knowing how to do these four things. And if you don't master these skills, the increasing competition in your field will kill you.

Properly done, consulting can be the ideal profession. The highly successful can earn well into six figures, even on a part-time basis.

A new book, the *Complete Guide to Consulting Success* will show you how. You'll discover the best way to approach the four critical consulting principles of success. It need not be difficult. Once you master these skills with the help of this book, it's remarkably easy.

The author, the late Howard Shenson, was America's most recognized authority on consulting. In his seminars and books, he helped over 52,000 consultants improve their practice. He and his work have been featured in more than 400 newspaper and magazine articles and on more than 225 radio and TV news and talk shows.

The *Complete Guide to Consulting Success* is a remarkable book. You simply must have it if you are a consultant...or plan to become one. Not only is it filled with useful information, you also get ready-to-use forms, agreements and worksheets. Worksheet forms will help you determine your best strategies, and the contract and agreement forms will help protect you legally.

This book brings you the basic strategies you need to gain larger contracts from both existing and new clients. And it provides ways to increase profits on the work you get.

The Book Shows How To:

- Find the ten profit-producing situations that create a need for your service.
- Identify six danger signals telling you when not to take a client.
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■ Labor

Striker Bill Is Threatening Firms Again

Sen. Howard M. Metzenbaum, D-Ohio, has vowed to continue pushing legislation to ban the permanent replacement of striking workers until it is approved by Congress.

The U.S. Chamber of Commerce has stepped up its efforts to block legislation that would ban the permanent replacement of striking workers.

The Chamber has strongly opposed the ban since it was introduced during the last session of Congress, and its board of directors reaffirmed the organization's opposition at a meeting Feb. 22.

Like last session's bill, the striker-replacement legislation introduced in Congress this year would prohibit employers from permanently replacing employees—either union or nonunion—who strike over economic conditions, such as wages and benefits. Current law already bans permanent replacements in cases involving unfair labor practices.

The striker bill is a top priority of organized labor, and President Clinton has indicated that he supports the measure. The legislation could come up for a vote in the House as early as mid-April. The likely timing for a vote in the Senate is uncertain.

The measure was reintroduced in the House early this congressional session by Rep. William (Bill) Clay, D-Mo. A similar bill was reintroduced in the Senate by Sen. Howard M. Metzenbaum, D-Ohio. The House passed a bill identical to the current legislation in July 1991, but the Senate failed to approve a similar measure last year.

The Chamber is leading a broad-based business coalition against the bill. The organization says the legislation would upset the long-standing balance between the rights of labor and management and would encourage strikes and industrial conflict, constrain productivity and U.S. competitiveness, and stifle job growth.

"This bill is a blatant attempt by labor to use special-interest legislation to achieve what it cannot get through persuasive argument or the power of reason," says William A. Stone, chairman of the Chamber's Labor Policy Committee.

Call your representative by April 13 and urge him or her to vote against the striker-replacement ban. Dial the House switchboard at (202) 225-3121.

■ Victory

Efforts To Ease Bank Rules Pay Off

President Clinton's plan to ease federal regulations that have contributed to the small-business credit crunch is a victory for the U.S. Chamber of Commerce.

The president's proposals would change rules that have made it more difficult for banks to lend funds and for small businesses to qualify for them.

"We raised the clarion call in 1990 about the overregulation of the banking industry and its effect on credit availability to our small-business members," said Chamber President Richard L. Lesher. Since then, the Chamber has continually advocated changes to ease those regulations.

The impact of the government controls became particularly severe in the recent recession, when even the most credit-worthy firms found themselves unable to obtain capital.

Lesher said the president's move was "a big step toward changing the lending environment so businesses can get the credit they need to grow and create jobs."

The Chamber has expressed confidence that Clinton's proposal will not undermine the safety and soundness of banks while it helps promote a new lending environment more favorable to businesses seeking loans.

Bank regulators must now develop procedures for implementing the changes envisioned by the president in his announcement.

Key elements of the proposal have been advocated by the Chamber. They include:

- A plan to allow bankers to use their judgment in granting loans based on past performance and character.
- Reducing paperwork requirements in the loan process.
- Changing onerous appraisal requirements and enacting an appeals process for banks.

The revised rules will allow well-managed banks and thrifts to make certain types of loans with only minimal paperwork required of the borrower.

By allowing bankers to use their judgment based on the character of the borrower, Clinton's plan would remove some of the impediments to loans that many small businesses have incurred.

The regulatory changes would treat real-estate collateral in a far more beneficial manner than is the case currently. This is expected to aid young businesses, which typically borrow with only the security of real estate—usually the equity value in a home.

To join the Chamber's "Cut the Red Tape" campaign to continue the pressure for easing the small-business credit crunch, call the Chamber's Economic Policy Division. The number is (202) 463-5620. Request a "Cut the Red Tape" form, and complete it and return it.

What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of \$27,111.60. He narrowly escaped a penalty of \$13,555.80.

B.W.C., Inc. was forced to pay \$106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay \$100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also created the highly popular computer diskettes for **The Complete Book of Corporate Forms**. These diskettes can save you hours of valuable time—and can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help *after* they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

Here is just a sample of what you'll receive:

Minutes of Stockholders Meetings
Minutes of Directors Meetings
Minutes of Special Meetings

(Any of these can be used if you are the only stockholder and director.)

Amendments to Articles of Incorporation
Amendments to By-Laws

You will also receive all the stockholder and directors resolutions you will need including:

• Negotiations of contracts • Authorizing loans to corporation • Approval of corporate loans to you • Designation of purchasing agent *(some suppliers may want to know who is authorized to buy from them)* • Setting your salary • Directors fees • Authorizing your expense account • Mergers • Sale of corporate assets • Dissolution • Bankruptcy • Declaring dividends • Appointment of attorney or accountant

Plus, you'll receive the forms needed to authorize any of these tax-saving fringe benefits:

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Management

Chamber Moves To Improve Services

The U.S. Chamber of Commerce has launched a quality-management initiative, "Members Matter," that will stress the importance of customer service in every aspect of its operations.

"The Chamber has always been a quality organization committed to meeting the needs of its members, but there is always room for improvement," President Richard L. Lesher said in announcing the new program.

"The Chamber has always been a quality organization committed to meeting the needs of its members, but there is always room for improvement."

—Richard L. Lesher

A quality council has been established to spearhead the initiative. It consists of Lesher as chairman, and Senior Vice Presidents William T. Archey, Carl Grant, Bruce Josten, and Lawrence Kraus.

In addition to standard quality-management techniques, the Chamber's program is also based on its own objectives geared to the enterprise system. Those objectives appear in the organization's mission statement and quality policy. (See related story below.)

Chamber officers have undergone initial training with the help of the Juran Institute of Wilton, Conn., a leader in the quality-management field. Further training for other chamber officers and staff has been scheduled.

Three quality-management teams have been established. One will review Chamber processes, including membership relations and fulfillment of orders and requests, with the goal of improving services and reducing turnaround time.

The second team will study what is often the primary point of contact between the organization and its various constituencies, its telephone response.

The third team will study the Chamber's health-care plans with the goal of slowing cost escalation.

Current plans call for staff training on a "just-in-time" basis. Team leaders, facilitators, and team members will undergo training in quality-management principles, organization, and tools as they are assigned to projects.

The "Members Matter" initiative will complement the Chamber's program for educating member companies and organizations in quality management through its Quality Learning Services Division, which produces satellite television seminars on a regular basis.

Initiative's Objectives

While drawing heavily from established principles in the field, the U.S. Chamber of Commerce's quality-management approach is also geared to the business federation's own specialized objectives.

These objectives appear in its mission statement and in its statement of quality policy, which set forth what the organization hopes to accomplish and how it hopes to do so.

These are the statements:

Mission Statement

To advance human progress through an economic, political, and social system based on individual freedom, incentive, opportunity, and responsibility.

Quality Policy

The U.S. Chamber of Commerce is a Quality Organization. Quality is our basic business principle. Quality means providing our external and internal customers with innovative products and services that fully satisfy their requirements, and we do so while maintaining the highest standards of integrity. Quality improvement is the job of every U.S. Chamber employee.

Legislation

Join The Network; Be More Active

The U.S. Chamber of Commerce is launching a new legislative network to make business's voice in Washington more effective.

The Grassroots Action Information Network (GAIN) will consist of individual U.S. Chamber members and state, metropolitan, and legislatively active local chambers of commerce. The network will be used to communicate business's positions on issues of concern to lawmakers in Washington and to form a legislative intelligence network among business people nationwide.

GAIN's first—and most vital—step is to determine the level of commitment the 215,000 Chamber members have to making the U.S. Chamber of Commerce the "most effective grassroots operation" in Washington, says Linda Leinbach Mays, executive director of the Chamber's Office of Membership Grassroots Operations.

Chamber members should have received—or will be receiving shortly—a letter from U.S. Chamber President Richard L. Lesher detailing the GAIN program and a form to indicate each member's desire to participate in GAIN.

A follow-up survey seeking members' interests in specific legislative areas will be sent to those who indicate a desire to be in the network. Once the network is established, the Chamber plans to use the latest communications technology to keep members informed.

■ Technology

How To Tap Federal Resources

The U.S. Chamber of Commerce and an independent federal agency have launched an initiative to help small and medium-sized businesses benefit from the resources of the federal laboratory network.

The initiative—ChamberTech—was designed to help businesses use the laboratories' expertise to develop and commercialize new technologies, processes, and products.

The cooperating agency is the Federal Lab Consortium for Technology Transfer, which was set up to marshal the transfer of technology to U.S. businesses.

The initiative was developed in cooperation with the Memphis Area Chamber of Commerce and the Mid-South Common Market.

Its goal is to link small and medium-sized businesses with the federal laboratory network through state and local chambers of commerce.

The initiative will educate and inform businesses and chamber executives about the availability of technology resources and the mechanisms for gaining access to them.

ChamberTech also will promote the necessary "cultural" changes within

both business and the federal laboratories to move technologies out of the laboratories and into the commercial market.

The approximately 650 federal laboratories are unquestionably one of the world's richest technology treasure troves. They include the famous national laboratories like Los Alamos, Argonne, Sandia, Brookhaven, Oak Ridge, and Lawrence Livermore, as well as others, such as Wright Laboratories at Wright-Patterson Air Force Base, in Dayton; the Army Directorate for Night Vision and Electro-Optics; and the Tennessee Valley Authority.

A number of academic organizations and the U.S. Small Business Administration have promoted the transfer of technology to the private sector for two decades, and the Federal Technology Transfer Act has existed since 1986 to facilitate the process.

But the U.S. Chamber's involvement is the first by any major business organization and is symbolic of the type of business-government cooperation that's necessary for competitiveness in the global economy of the 1990s and beyond, say the effort's supporters.

As a U.S. Chamber mission, boosting technology transfer was formally a part of the Chamber's 1992 National Business Agenda and is again a priority in the 1993-94 agenda.

The most recent manifestation of the U.S. Chamber's role was at a meeting organized by the Memphis Area Chamber of Commerce, with the U.S. Chamber's help, for 20 business executives from Arkansas, Tennessee, and Mississippi.

The business federation is also encouraging state and local chamber executives to attend the Federal Laboratory Consortium's National Technology Transfer Meeting, April 19-22, in Pittsburgh.

The meeting is expected to provide excellent opportunities for chamber executives to meet with federal lab representatives and to learn exactly how chamber members can take full advantage of federal technology resources.

The FLC plans a series of special briefings at the meeting April 19 for chamber and other private-sector attendees on working with the federal labs.

Contact the U.S. Chamber at (202) 463-5460 for more information.

Federal Technology Contacts

SOURCE: FEDERAL LABORATORY CONSORTIUM

■ Contacts

For More Information

The Federal Laboratory Consortium, the government's technology-transfer agency, has six U.S. regions. The map on this page has the names, telephone numbers, and fax numbers for the regional contacts who can help businesses obtain the information they need.

The Washington, D.C., consortium representative is Beverly Berger, who can be reached at (202) 331-4220.

■ Chamber Board

Led By Gorr, Directors Vote On Policies

H. William Lurton, right, 1992-93 U.S. Chamber chairman, hands over the gavel to Ivan W. Gorr, 1993-94 chairman, at the Feb. 22 meeting of the board of directors.

Ivan W. Gorr, chairman and chief executive officer of Cooper Tire & Rubber Company, in Findlay, Ohio, became chairman of the U.S. Chamber of Commerce at the February board of directors meeting.

He succeeds H. William Lurton, chairman and chief executive officer of Josten's, Inc., in Minneapolis. Gorr, whose term as chairman will run through early next year, was previously vice chairman of the Chamber. (A profile of the new chairman appears on Page 59 of this month's issue of *Nation's Business*.)

Gorr's first duties in his new role included presiding over a board meeting that dealt with a long, complex agenda that included economic and health-care issues. (See Spending, Page 86, and Health Care, Page 88.)

In addition to its decisions in those areas, the board dealt with several other major topics of concern to members. Here is a summary of those board actions:

■ Credit Availability

The board again called for legislative and regulatory change to restore some balance between the safety and soundness of financial institutions and economic growth. (See related story, Page 92.)

■ Employee Benefits

The board opposed pending proposals to require private pension funds to invest a percentage of assets in infrastructure projects. While supporting the concept of increased investment in the national infrastructure, the Chamber noted that pension-fund assets have already been invested in companies that are rebuilding the infrastructure but should not be forced into investments "that serve other societal needs at the expense of retirement security."

■ Budget Reform

Support for line-item veto authority for the president was reaffirmed by the board. With such authority, the president could delete individual items from massive spending bills he now must accept or reject *in toto*.

The same board action also supported enhanced authority for canceling approved federal spending when circumstances warrant.

■ Labor Policy

The board revised its policy on labor law to (1) establish a basis for future support of legislative steps to remove impediments to Total Quality Management practices in the workplace and (2) modify support for state flexibility on labor-relations issues to avoid the possibility of backing state actions that might prevent employers from replacing strikers. The Chamber opposes such legislation on the national level.

In the labor policy area, the board also:

■ Reaffirmed opposition to legislation mandating employer recognition of a union as a collective-bargaining representative on any basis but a secret-ballot election conducted by the National Labor Relations Board.

■ Invoked existing policy to call for removal of any legislative and administrative impediments to Total Quality Management practices that include employee teams, task forces, and other approaches designed to improve workplace cooperation and to provide job enrichment.

■ Education/Training

Tax credits for employers who invest in the training and retraining of workers were endorsed by the board. It also recommended consideration of credits to employers who invest in basic education and the improvement of local schools.

The directors also supported creation of national education standards and recognized "the corresponding need to develop an assessment system to measure student progress in meeting them." Implementation of the standards and assessment should be voluntary in the initial phase, the board said, and sufficient federal support should be provided if they become mandatory.

■ International Trade

The directors expressed concern over reports that the administration may be considering intensified efforts to increase tax revenues from foreign-owned companies.

In other actions in the international area, the board:

■ Opposed the arbitrary levy of new taxes on operating income of U.S.-owned companies abroad.

■ Approved establishment of a national export-development strategy and specific objectives. The executive branch would develop the plan in consultation with the private sector.

■ Established an investment subcommittee of the International Policy Committee. The new panel will "seek to identify investment policies in the United States and abroad that impede U.S. businesses and work to remove these impediments."

■ Defense Cutbacks

The board supported "carefully crafted efforts to minimize the disruptive effects of reduced defense expenditures," noting that the goal of such reductions should be to increase the competitiveness of U.S. industry.

■ Lobbying

The board supported retention of the existing tax-code provision that recognizes costs of lobbying as a fully deductible, normal business expense.

■ Infrastructure

The board formed task forces on both the transportation and telecommunications infrastructures.

Business Ballot

Companies' Confidence Increases

After a slide in late summer and early fall, business confidence in the economy picked up dramatically at the end of 1992 and the beginning of 1993, according to results of the December and February Business Ballot polls conducted by the U.S. Chamber of Commerce.

Results of the polls "show a continuing improvement in the economy," says William K. MacReynolds, director of the Chamber's economic policy center.

One of the most critical economic indicators these days—companies' hiring plans—has improved gradually since October. In December, 20 percent of respondents—up from 18.5 percent in October—said they expected their companies to add jobs during the next six months. The percentage planning to hire new workers rose again in February, to 23.4 percent.

In addition, firms expecting to cut employment fell sharply. Just 11.2 percent in February said they expected to cut jobs over the next six months, down from 12.7 percent in December and 17.4 percent in October.

In another positive indicator, the February ballot found that 48.5 percent of respondents said they expected their sales to increase over the next six months, up from 44.5 percent in December and 36.6 percent in October.

Business people's outlook for the economy overall improved from October to December but declined in February.

In December, 52.3 percent of respondents—up from 32.4 percent in October—believed the economy was headed up over the next six months. In February, 45 percent indicated they thought the economy would head up over the next six months.

"It is always an optimistic sign when business people are more optimistic about their own companies than the economy as a whole," MacReynolds says.

The Chamber's Business Confidence Index—a combined measure of businesses' six-month outlook on the economy, sales, and employment—was 62.4 in February, just slightly lower than December's 62.5—the index's highest level since June, when it was 64.2. An index of 50 means the number of businesses expecting increases in the three areas is equal to the number expecting decreases.

The Economy

Chamber Urges Greater Fiscal Restraint

Continued from page 86.

tax increases should neither have an additional inflationary effect nor stifle private investment and job creation. We also urge the president to propose expanded tax incentives to further economic growth. We look forward to working with the president in shaping the best possible package for fostering long-term economic growth and sustained deficit reduction."

In his talk at the Chamber rally, the president called for a government/business partnership that "empowers the private sector to grow jobs by having the right kind of environment, the right kind of incentives, and the right kind of long-range commitments."

He drew applause from the audience that filled Washington's Constitution Hall when he declared: "This administration understands clearly that the private sector is the central engine of economic growth."

Clinton outlined his own economic policy as one that would increase public investment in "technology and education and in people" while reducing the federal deficit at the same time.

"I have offered a plan to do that," the president told the Chamber meeting. He said the plan "cuts spending with real, specific cuts, . . . with tax increases that I believe are progressive, although none are free of pain, and with targeted, specific investments to grow this economy."

Without changes in "the fundamental pattern of the way our national government works," the president said, the annual deficit at the end of this decade will be $653 billion; about 60 cents of every tax dollar will go to entitlement payments and 22 percent to debt interest.

"This administration understands clearly that the private sector is the central engine of economic growth."
—President Clinton

After a fixed defense portion is deducted from that same dollar, he continued, members of Congress will be "arguing over how they're going to spend the three or four cents" left.

The president tied the achievement of his economic goals to his upcoming recommendations for major changes in the nation's health-care system. He put it this way:

"If you want to get to the end of the decade with a healthy American economy, . . . we've got to reform the health-care system."

He noted that small businesses are hit harder than large ones by health-care costs, and more and more of them are giving up such coverage.

Clinton pledged that his health-care plan, due by May 1, would make health care more accessible and more affordable.

Summing up his overall program, the president said, "We have no alternative but to change."

The rally audience gave him a highly enthusiastic welcome when he arrived on the stage for his speech and again at its conclusion. He was also interrupted many times by applause for such comments as: "Really, if this government were a business, it would have gone under a long time ago."

In his closing remarks, the president invited suggestions from the business people in the audience on how to improve his plan. "Say what's wrong with it," he declared.

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Members Respond

Firms Want Spending Cut, Poll Finds

Business people overwhelmingly favor balancing the federal budget through reductions in spending, according to the December Business Ballot poll conducted by the U.S. Chamber of Commerce.

Of the nearly 14,000 poll respondents, 74 percent said the budget should be balanced through spending cuts; less than one-half percent said taxes should be increased to achieve that balance; and 26 percent said a combination of spending cuts and tax hikes would be the best solution.

Asked if the growth of entitlement programs, such as Social Security and Medicare, should be reduced to help bring the deficit under control, 65 percent of the respondents said yes, 28 percent said no, and 7 percent had no opinion.

Poll respondents overwhelmingly believe Congress should give the president authority to veto individual items in spending bills. Ninety-four percent favor such authority, while 4 percent oppose it, and 2 percent had no opinion.

In the Chamber's February Business Ballot poll on public-policy questions, 81 percent of more than 12,200 respondents said employers should not be required to provide their workers with a specific amount of unpaid family and medical leave.

While the poll was being conducted, Congress passed and President Clinton signed legislation requiring employers of 50 or more workers to provide up to 12 weeks of unpaid family and medical leave per year. (See story on Page 26 in *Nation's Business*.)

Thirteen percent of the Business Ballot respondents said employers should be required to provide such a benefit, and 6 percent were undecided.

On another issue expected to see congressional action soon, 88 percent said they should not be barred from permanently replacing workers who strike over wages and benefits.

On the question of an investment tax credit, 92 percent said they back enactment of an ITC for investment in equipment and facilities.

Resources

Regulation Journal Available

The latest volume of the National Chamber Foundation's quarterly publication, the *Journal of Regulation and Social Costs*, is now available.

The Chamber Foundation is the nonprofit tax-and-policy research affiliate of the U.S. Chamber of Commerce.

Articles in Volume 2, Number 4, include: "Carbon Taxes—Can We Compete?," "Industry Self-Regulation for Environmental Protection: An Alternative to Command and Control Regulations," "Hazard Analysis and Critical Control Points: The Quiet Revolution in Food Safety Assurance," "Ten Thousand Commandments: Regulatory Trends 1981-92 and the Prospects for Reform," and "The Impact of Recent Federal Regulations on Small Business Job Creation."

For information, contact Tia Armstrong at (202) 463-5552.

High-Level Contacts

Clinton Officials Talk With Chamber

U.S. Chamber leaders and staff members have been making business's views known to a variety of Clinton administration officials in meetings at the Chamber, the White House, and federal agencies. At left are Laura D'Andrea Tyson, head of the Council of Economic Advisers, and William K. MacReynolds, director of the Chamber's Economic Forecasting Center, at a meeting at the Chamber. At right are Education Secretary Richard Riley (left) and H. William Lurton, 1992-1993 Chamber chairman, at an education teleconference at the Chamber.

Board Policy

Guides For Health-Care Reform

The board of directors of the U.S. Chamber of Commerce adopted "a foundation for an effective reform strategy" on health care at its meeting Feb. 23.

The board approved these guidelines setting forth the Chamber policy:

1 Managed competition and managed care offer the best opportunity for the nation to achieve universal coverage at acceptable cost. Reform measures also should apply to the Medicare and Medicaid programs.

2 Universal coverage is a necessary objective of any acceptable reform plan. All individuals should be required to have health insurance, which should be paid for through a combination of public funding for the elderly, poor and near poor; employer/employee contributions for all working people and dependents; and individual contributions. The inability of many low-wage workers and their employers to pay the full cost of premiums must be recognized through appropriate government subsidy and phasing of any plan.

3 A national core benefits package will need to be defined for universal coverage to be made a reality. It will need to stress employee and individual cost sharing and constraints on the provision of care which is medically or economically ineffective.

4 Employer-driven innovation in the delivery of cost-effective services should be encouraged by maintaining a self-insurance option for large employers.

5 Purchasing groups should be created at the regional level to permit small firms and individuals to gain access to cost-effective core benefits. Insurance underwriting practices need to be reformed in this market to ensure that competition will be based on the management of care rather than the selection of risks.

6 A wide variety of health plans operating under a range of funding arrangements must be encouraged to compete on the basis of cost and quality for the business of both self-insured employers and regional purchasing groups.

7 Cost containment is a critical priority. Given the fact that the federal deficit cannot be brought under control without constraining costs in federal health-entitlement programs, Medicare and Medicaid must be early targets for action. Cost shifting from government programs to the private sector must end.

8 Proposals to regulate health-care premiums without addressing the underlying causes of health-cost inflation will not work and should be resisted.

Limitations on the amount of employer-paid health insurance premiums which employees can exclude from income may be a useful support to the cost-containment strategy we endorse.

In no event, however, should there be any limit on the employer's ability to deduct such premiums as a legitimate business expense.

In offering the guidelines for board approval, the Chamber's Health and Employee Benefits Committee said they would serve as the basis for a major Chamber role in the development of a federal health-care policy.